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ABSTRACT

The purpose of this course of study is to improve economic citizenship through the study of the business and economic environment. Topics cover a wide range and are divided into twelve major units with lesson plans for each: Unit I--Our Economic World, Unit II--Our Economic System, Unit III--Economic Risks and Insurance, Unit IV--Money Management, Unit V--Our American Tax System, Unit VI--Planning Your Future, Unit VII--Using Credit Wisely, Unit VIII--Banks and Banking Services, Unit IX--Labor and Labor Unions, Unit X--Transportation, Unit XI--Communication, and Unit XII--You and the Law. A bibliography is appended. (HD)

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State of New Jersey
Department of Education
Division of Vocational Education

ON THE PATH TO BETTER LIVING

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NATIONAL INSTITUTE OF EDUCATION

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INTRODUCTION

The purpose of this course is to improve your economic citizenship through the study of our business and economic environment. Good economic citizenship includes the knowledge and understanding of: (1) how the American business system functions as part of our total economic environment; (2) how to make wise choices in selecting and using the goods and services that are available from business, industry, and government; and (3) how to manage your personal and business affairs efficiently.

As young Americans, you are growing up in a period of easy credit, which makes it possible to get into debt "over your head." In addition, you can become caught in cycles where rising costs make it difficult to pay for basic needs. As a consequence, it becomes difficult, if not impossible, to save for education and other future goals. Often wage increases have resulted in more installment buying rather than paying off existing installment debts. Economic education can help people to spend their money wisely, to avoid overpowering debts, and to understand the principles of production, consumption, and credit.

This course covers a wide range of topics. You may have some knowledge of some of the areas that will be explored by this course, while others will be new to you. All of the subjects will be useful to you, both now and in your future life.

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UNIT I

OUR ECONOMIC WORLD

Lesson 1 — Economic Needs and Wants

In the United States today there are about 200 million of us. Included in this number are workers, homemakers, women's liberators, male chauvinists, students, and others. Some are unemployed because of age, ill health, or lack of jobs. But no matter what we may be doing, all of us use food, clothing, housing, and many other items that we purchase from nearby businesses. We also use the services of many people, such as bankers, dry cleaners, barbers, beauticians, garage mechanics, and television repairmen.

It is a Saturday afternoon, and you are window-shopping downtown or at a mall. How many different things that you would like to own do you see in the store windows? A just-released record album, or maybe a sweater. Perhaps a camera, a stereo set, a pair of boots, or even a wall poster.

We never stop needing or wanting things. *Needs* are those things we must have to survive. Food, clothing, and shelter are usually thought of as our three basic needs. We must provide these needs before we can think about our wants. *Wants* are those things which we could live without, but which make living much more fun. All the stores that you pass during your Saturday window-shopping exist to satisfy your needs and wants.

We satisfy most of our needs and wants by buying goods and services. A *business* is an organization that supplies us with most of the goods or services that we want. Services are also supplied by such institutions as hospitals, government agencies, and schools.

Goods or *products* are the tangible things (things we can actually see and feel) we use in our everyday lives. Some goods, like food, are used up at one time. Other goods, like cars, may be used over and over again for a long time. *Services* are the work performed for us by others. We are using services when we mail letters, fly in a plane, call a plumber, use the telephone, or get clothes dry-cleaned.

As a user of goods and services, you are a *consumer.* So is every person you know. Organizations can also be consumers. Your school buys and uses desks, chalkboards, lab supplies, and many other items. Your state, local, and federal

governments buy many kinds of goods, from courtroom furniture to street lights. The businesses which supply goods and services to us are also consumers. The owner of the corner service station, for example, buys and uses many goods supplied by other businesses. He needs a cash register, display cases, gasoline pumps, and many other items.

We are not at all like the pioneer families of our country. They had to take care of their own needs and wants. They had few chances to trade with other people, since the nearest family often lived many miles away. Each home was like a factory. Meats were smoked, pickled, or dried to preserve them. Each family ground its own grain and made its own bread. Pioneer families made their own cloth and furniture. They raised sheep, sheared them, spun the wool into yarn, and wove the yarn into cloth. They were quite independent. Their goods and services were limited mostly to what they could produce in or near their homes.

Today we are not so much independent as we are *interdependent.* A person can produce few of the goods and services he needs or wants without depending on others. Clothing is a basic need, and many women today sew their own clothes; but how many women spin their own thread and weave their own cloth?

In this unit we will talk about how to buy the goods and services that we need and want, beginning with the three basic necessities of life – food, clothing, and shelter.

For Discussion:

1. What are the differences between *needs* and *wants*?
2. What are the three basic needs?
3. Discuss the differences in lifestyles between the pioneer families and today's families.

Food is a major budget item, using about 20 to 25 percent of the typical city family's income after taxes. There is little question that for most of us food is partly a luxury and partly a necessity. Most of us could get along on much less expensive, although less interesting, diets.

A family's spending for food is affected by its income, its size, and its composition. A family with two teenagers may spend twice as much as a young couple just starting married life. Food costs vary because families differ in the emphasis they place on the pleasures of eating. Some families think it is important to have good food and lots of it. Other families may prefer to spend less on food in order to have more money for travel, outings, or other interests.

Some rules for buying

What should you buy? How can you get the most for your money? The competition in our economic system helps you. Most merchants try to give good values and honest service to attract customers who will keep coming back. Here are some rules to help you get your money's worth.

1. Use a shopping list.
   The first step in smart food shopping is to prepare a shopping list based on the meals you have planned in advance. This shopping list will also include staple items such as salt, sugar, pepper, and paper towels. With a list you will avoid costly mistakes, be certain of buying what you need, and avoid extra trips to the store.

2. Choose the best place to shop.
   At one time the neighborhood grocer received most of the trade of the community. But now people do most of their shopping at supermarkets because of their lower prices and larger selection. Price competition tends to keep prices from differing too greatly among different supermarkets. Some stores try to

attract shoppers by offering specials. These stores have to make up for these specials by charging higher prices for other items. Other stores advertise "everyday low prices" or "discount prices" instead of specials.

3. Avoid impulse buying. One way to avoid costly mistakes is to stick to your shopping list. Don't buy an item just because it is displayed attractively. Buy the items that you need, but be flexible enough to take advantage of specials.

4. Examine what you buy. Make sure that the lettuce is fresh and the grapefruit is ripe. Experience will teach you what to look for.

5. Use available sources for information. The salespeople are there to assist you; and if there is something you do not understand, ask for help.

6. Learn to know brand names. Many goods are advertised nationally and are sold in almost every community. Brand names make it possible for you to do comparison shopping at several stores for the best prices. Brand name items often have better guarantees. On the other hand, some store brand items are less expensive for a similar quality and are often "best buys" if you know how to examine good for quality.

7. Understand the information on the label.
   Information included on the labels of food products is strictly controlled by law. Food shoppers will find labels to be one of their most useful and reliable sources of information, once they learn how to understand the information presented. You will find that labels provide you with such information as the ingredients and amounts of each that were used, weight of the package contents, the name of the processor or distributor, and federal inspection information. Even the name of the product can provide useful information. For example, a product called "Turkey with Noodles" contains more turkey than one labeled "Noodles with Turkey". Ingredients must be listed beginning with the one that weighs the most.

Best food buys

The purpose of this unit is to introduce you to the kinds of decision making necessary to get the most for your food dollar. You will also learn to evaluate different food stores. The following shopping list can be used to check several food stores and compare prices. The class should be divided into groups and each group should select a leader. Leaders will consolidate the information secured by members of their group. A panel will be formed of group leaders and they in turn will give an evaluation of their shopping experiences. You are to determine the best buys. Do not overlook store brands and specials.

	Meats (Per Pound)	
Smoked Ham	Bacon	Leg of Lamb
Roast Pork (Loin)	Pork Chops	Ground Chuck
Spare Ribs	Lamb Chops	Frankfurters
Pork Sausage	Round Steak	Porterhouse Steak
Sirloin Steak	Rib Steak	Beef Liver
T-Bone Steak	Rump Roast	
	Poultry (Per Pound)	
Turkey	Cornish Hen	Chicken (Fryers)
	Sea Food (Per Pound)	
Lobster Tail	Shrimp (Fresh)	Shrimp (Frozen)
Trout	Haddock	Clams
Oysters	Crabs	Flounder
	Bakery Goods	
Bread	Pies	Pound Cake
--White	Hot Dog Buns	Rolls (Dinner)
--Rye	Hamburger Buns	Danish Pastries
--Whole Wheat	Doughnuts	Chocolate chip cookies
	Dairy Products	
Eggs	Butter	Milk (½ gallon)
--Medium	Cottage cheese	Swiss cheese
--Small	American cheese	Cream cheese
--Large	Whipping cream	Heavy cream
Chocolate milk (qt)	Margarine (pound)	Ice cream (½ gallon)
	Frozen Foods	
TV Dinners (4 kinds)	French Fries	Meat Pies (Small)
Corn	Green Peas	Spinach
Orange juice (6 oz)	Fish sticks	Pizza
	Cereals and Grains	
Rice	Corn Flakes	Wheaties
Puffed Rice	Rice-A-Roni	Shreadded wheat
Macaroni	Flour (5 pounds)	Cornmeal (pound)

Fruits (Fresh)

Delicious apples	Plums	Pears
Green grapes	Oranges	Grapefruits
Bananas	Peaches	Tangerines

Vegetables (Fresh)

Lettuce	Cabbage	Carrots
Corn	Onions	Potatoes (5 pounds)
Tomatoes	Celery	String beans
Beets	Cucumbers	Eggplant

Vegetables and Fruits (Canned)

Peaches	Fruit Cocktail	Pears
Cranberry Sauce	Applesauce	Corn
Peas (Sweet)	Pork and Beans	Sauerkraut
Tomatoes	String beans	Pineapple

For Discussion:

1. What factors determine the amount of money a family spends on food?
2. Why should you use a shopping list?
3. What information can you get from reading a label?

How important is good nutrition? Good nutrition is closely linked to some of the things we want the most – a good build, physical fitness, good health, and vitality. The payoff for good eating habits does not come right away, however. An extra glass of milk on Thursday is not likely to produce a winning performance on the football field on Friday. Good nutrition gets results when it is practiced every day. A good supply of nutrients is essential to keep our bodies functioning, to provide us with the energy we need, and to provide materials for the continuous job of rebuilding bones and tissues.

A guide to good nutrition

To help us plan good meals, nutritionists have developed what they call the *Basic Four*. Although the name sounds like it might be a new rock group, the Basic Four really is a list of essential food groups and the number of servings from each that we need every day.

1. Vegetable and Fruit Group – includes all vegetables and fruits, such as oranges and orange juice, grapefruit, tomatoes, carrots, potatoes and sweet potatoes cooked in their own jackets, greenbeans, and winter squash. Four or more servings each day.

2. Meat Group – includes beef, pork, chicken, eggs, fish, and shellfish; as alternates, dry beans and peas, peanuts, and peanut butter. Two or more servings each day.

3. Milk Group – includes whole and skim milk, ice cream, cheese, butter. Four or more servings each day for teenagers, two or more for adults, two to three for children.

4. Bread and Cereal Group – includes bread, cooked and ready-to-eat cereals, cornmeal, and spaghetti. Four or more servings each day. Use enriched products when possible.

It is easier to be well fed if you have a lot of money to spend, but it is possible to use the Basic Four at different cost levels. The menus shown on the next page illustrate how an adequate diet can be provided at different levels of spending.

A DAY'S MENU AT DIFFERENT COSTS
FOR A FAMILY OF FOUR

	Moderate-Cost Menu	High-Cost Menu
Breakfast	Orange juice (canned) Oatmeal with milk Cinnamon toast Milk (nonfat dry) or coffee	Strawberries (fresh) Bacon and eggs Biscuits (frozen) Milk (fresh) or coffee
Breakfast	Hard-cooked egg or peanut butter and jelly sandwich Celery sticks or a banana Milk (nonfat dry)	Baked ham on seeded roll with lettuce and tomato Asparagus in cheese sauce (frozen) Milk (fresh)
Snack	Cookies Fruit punch	Pear Chocolate milk (fresh)
Dinner	Fried chicken Carrots (fresh) Mashed potatoes Bread (white enriched) Apple pie (homemade) Milk (nonfat dry) or coffee	Beef rib roast Broccoli with butter sauce Corn on the cob (fresh) Dinner rolls (bakery) German chocolate cake (frozen) Milk (fresh) or coffee

A guide for improving our eating habits

Most people are reluctant to make major changes in the way they eat. There are, however, some easy changes we all can make for the sake of good nutrition.

1. Avoid skipping breakfast. Even taking just a glass of milk, some orange juice, and a piece of toast is better than skipping breakfast; these foods provide the energy we need to start the day. Skipping meals is a poor way to diet. When meals are skipped, it is hard to get a balanced diet. Dieters may end up so hungry that they eat too many high-calorie snacks between meals.

2. Get more exercise. The energy requirements of modern life are so low that it can be hard to get the vitamins and minerals we need while holding calories down. With more exercise we can eat the foods we need without gaining weight.

3. Diet intelligently. The best way to diet is to choose well-balanced meals and form the habit of eating smaller portions. Substituting skim milk or low-fat milk for whole milk is one way to cut down on calories without losing needed nutrients.

4. Choose better snacks. Snacks are a part of our way of life, and few of us would give them up. We can make our snacks do a better job for us by substituting more nutritious foods for typical snack foods that are long on calories and short on the vitamins and minerals we need. Fruit and a glass of milk would be a good snack choice.

Smart menu planning

Shoppers who are concerned about getting good value for the money they spend on food must attack the problem in two ways. First, they must plan their menus wisely, including items that are good sources of nutrients at a reasonable cost. Second, they must shop wisely for the items they need to make up the menus they have planned.

The first step in smart menu planning is to plan ahead. You begin by making a list of menus for the days ahead. A menu plan is a general guideline, but it should be flexible in case an item is not available or so that a special bargain can be substituted for a planned item.

Using seasonal bargains and plentiful foods

Prices of fresh food change throughout the year, depending on the season. Many fresh fruits and vegetables are available throughout the year but are more expensive in the off-season. During the off-season and when the first new crop comes in, prices are high. As supplies increase, prices go down. Prices are at their lowest when the produce from nearby farms becomes available. Apples, for example, are available all year, but are most abundant in the fall and winter just after the new crop is picked.

AVAILABILITY OF FRESH FRUITS

G = Good Supply; F = Fair Supply; S = Small Supply

	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec
Apples	G	G	G	G	F	S	S	S	G	G	G	G
Bananas	G	G	G	G	G	G	G	G	G	G	G	G
Blueberries					S	G	G	G	S			
Cantaloupes		S	S	S	F	G	G	G	G	S	S	
Cherries				S	G	G	S	S				
Cranberries	S								F	F	G	G
Grapefruit	G	G	G	G	G	F	S	S	S	G	G	G
Grapes	S	S	S	S	S	F	G	G	G	G	G	F
Oranges	G	G	G	G	G	F	S	S	S	F	G	G
Peaches					S	G	G	G	G	S		
Strawberries	S	S	F	G	G	G	G	S	S	S	S	S
Watermelons	S	S	S	S	F	G	G	G	S	S	S	S

One way to keep track of which foods are in plentiful supply and attractively priced is to watch the food pages of the newspapers. Home economists and marketing specialists in the Cooperative Extension Service provide newspapers with new information about plentiful foods every week.

Newspaper ads are our main source of information on specials. Advertised specials are an important part of a store's effort to win new customers and hold their present ones. They offer smart shoppers a chance both to fill out the week's menu at lower cost and to stock up for the future.

After checking on supermarket beef specials in several of our large cities, Consumers Union concluded that specials "are likely to yield substantial savings over the same cuts at regular price, and at no loss of quality." They found savings of 18 to 33 percent on the cuts they checked. They also found that it was difficult to make meaningful price comparisons among stores because trimming practices differed so much. In one case, they found a chain offering sirloin steak at $1.45 a pound, while a major competitor was charging $1.39. The higher-priced special actually was the better buy – its cost was $2.66 per edible pound compared to $4.10 per edible pound for the low-priced special. Consumers Union also found that quality differed among supermarket chains. Some chains consistently offered a better quality meat than others. Experience with eating quality and trimming practices has to be considered when evaluating a store's meat specials.

Shoppers should remember that not everything in a store's ad is a special. Some items are advertised because the store wants to emphasize their everyday low prices; other items are advertised because the manufacturer has paid part of the advertising cost.

Economizing wisely

Menu planners can cut family food costs and still serve well-balanced meals if they follow some simple tips.

1. Meat accounts for about one-third of the food budget. Economize by using substitutes for meat as a source of protein. Some economical sources of protein are cheese, canned fish, eggs, dried peas and beans, and peanut butter.

2. Combine meat, fish, or other high-protein foods with extenders such as noodles, spaghetti, macaroni, rice, or potatoes.

3. Cut down on snack items. Soft drinks, potato chips, and candy are high in calories but contribute practically nothing in the way of good nutrition.

4. Think twice and then again before cutting down on fruits and vegetables or on dairy products. Many families' diets already are too low in these foods. If it is necessary to cut costs, find substitutes; for example, use canned instead of frozen fruit.

Deciding what you really need

An important step in smart menu planning is deciding what you really need – the kind of quality and the right quantities. It is not always necessary to buy the best quality. Less expensive grades and cuts of beef are fine for making stews. Lower quality fruits and vegetables can be used when appearance is not important. For example, slightly blemished tomatoes can always be cut up and used in stews.

The smart shopper will learn how to judge the quantity of food that is needed for a serving. The number of servings in a pound of meat differs according to the amount of bone, fat, and inedible portions. Cuts with little or no fat or bones provide more servings per pound than cuts with a great deal of bone, gristle, and fat.

For Discussion:

1. Why is a good supply of nutrients essential?

2. What four categories make up the Basic Four food groups? How many servings from each group should someone your age eat each day?

3. Name four ways in which we can improve our eating habits.

4. When are the prices of fresh fruit and vegetables highest and lowest?

5. Plan a menu for 3 days for a family of four, with two school-age children. Using the Basic Four list in the text, place the appropriate letter to indicate the food grouping next to the foods selected. Sample is given below as a starter.

Breakfast	Lunch	Dinner
orange juice (food group 1)		
scrambled eggs (2)		
toast (4)		
milk (3)		

Although most of us seldom think of our clothes in this way, clothes are really a kind of portable environment with which we surround ourselves. They protect us from sun, wind, and cold. Providing a portable shelter is not their only function, however. If all we wanted from our clothing was shelter, we might go around in pup tents with holes cut out for our heads.

Our interest in clothes goes far beyond their function as shelter. For most of us, clothes are an expression of our individuality. We express ourselves in the styles and colors we pick and the combinations of clothes we put together.

At the same time we use clothes to express our individuality, we also use them to show that we belong to a particular group. Although high school students pride themselves in the individuality of their clothes, they actually wear the same type of clothes as every other student. Students are not likely to be mistaken for businessmen or housewives. Clothes can be used to demonstrate group membership in even more direct ways. The athlete shows his team membership when he wears his letter jacket. Other students demonstrate their school pride when they wear clothes in school colors.

Clothing serves several important purposes. This is why we need to keep in mind both functional considerations such as durability, comfort, and ease of care, and aesthetic considerations such as style, pattern, and color.

Planning your purchases

Some people act as if they think about nothing but what to wear, while others hardly seem to think about it at all. Some balance between these extremes is needed. No one can really afford to neglect his appearance. Just as we use clothes to express ourselves, other people use them as a way to judge what kind of people we are. If someone looked at the clothes you have on now, what would he think of you? Would he think you are sloppy, dull, lively, sporty, or sociable? Whether we think it is fair or not, others do judge us by our dress and our appearance. With a little effort, most of us can make a good appearance. While not everyone can afford to buy expensive clothes, there are few people in this country who cannot afford to be neatly dressed.

Determining your needs

To be well dressed, we need something more than a miscellaneous collection of slacks, sweaters, skirts, and shoes. To really meet our needs, a wardrobe must be planned, based on the kinds of things we do and the kinds of places we go.

To begin with, we must consider all our different activities and the kind of clothes we need for each. For example, this might be our list:

School
Sports
Informal social events
Dress-up social events
Church
After-school job
Home chores – cleaning, working on a car, yard work

Clothes for one of the categories may also be used in another category. Clothes suitable for school usually are also fine for informal parties. Clothes for dress-up social occasions may be worn to church. Our needs vary with the seasons and changes in climate. People who live in the midwest and northeast will need a more varied wardrobe than those who live on the west coast and in the south.

Taking an inventory is the best way to see what you have and what you need. This simply means going through all your clothing and making a list of what you have. Inventory taking is also a time to review the condition of your clothes and to get rid of things that you have outgrown or are not likely to wear again. When you decide what to keep, then you can determine the additional things you need.

Inventory time is also a good time to study your wardrobe to see what it can tell you about your tastes and preferences. Which items do you like best? Which items have been most useful? Which ones do you look your best in? Which ones do you feel most comfortable in? Your answers will help you learn why some of your past clothing choices were successful while others were not.

Deciding on additional items

When you have your inventory completed, you will be ready to begin deciding what additional items you need to fill out your wardrobe. You might not be able to afford everything you want to buy, but a long-range plan will help you get as much as possible.

Most of us can afford to buy relatively few new items in a given year. This is why it is important to make every choice count. A boy from a typical middle-income family might, for example, buy the following items in a year:

3–4 pairs of slacks
4–5 sport shirts
1 jacket or sport coat
3–4 pairs of shoes or sneakers

We can see that this does not allow much margin for errors and poor choices. There are some buying strategies that can help you stretch a limited clothing budget.

Choose versatile items

Versatile items are ones that have several different functions. They may be suitable for more than one season of the year; for example, the raincoat with a zip-in lining for cold weather. Or they may be versatile because they can be worn for different types of occasions – for example, a basic dress whose appearance can be changed by wearing different accessories.

If you have more money to spend, you can afford to develop a more specialized wardrobe. You could, for example, choose a tie that looks great with a particular shirt or a scarf that goes with only one particular blouse without worrying that they cannot be used with other items in your wardrobe.

Coordinate colors and styles

If your funds are limited, you will also want to give some thought to another kind of versatility – buying clothes in colors and styles that go well together. An example would be a sweater that looks good with several different skirts or pants. This might mean buying clothes in shades of blue that go well together, plus some clothes in colors that go well with blue – perhaps yellow or red. These items plus some in neutral colors, such as white, off-white, and tan, will go together well in all sorts of combinations. Such a variety of possible combinations will make a wardrobe seem larger than it really is.

Stick to basic styles

Many clothing items are discarded long before they are worn out because they are no longer in style. If your clothing funds are limited, you will want to choose styles that stay in fashion for several years, especially for more expensive items such as sport jackets or a good dress. Longer-lasting styles are usually simpler, less extreme designs that will be in good taste and attractive for several years.

If you like the latest styles and have little money to spend, your best bet is to limit yourself to less expensive items such as sportswear and casual wear.

Selecting clothing

In addition to price, other considerations need to be taken into account in choosing clothing – color, style, fiber and fabrics, durability, and ease of care. People may have different ideas on what is important. Those who are especially concerned about their appearance are likely to pay more attention to color and style. Others may be more concerned about durability and ease of care.

Color and style

We often forget about our own natural coloring when we choose. The fact is that each of us has several natural coloring features – the color of our hair, our skin, and our eyes – that should be considered when choosing clothing colors.

Even when we do think about our natural coloring we often group hair, eye, and skin colors in broad categories without realizing all the variations within each category. We classify people with brown-green, brown-gold, light-brown, and dark-brown eyes as having "brown eyes." We do the same with skin color – we classify people as either white, black, or yellow. Yet if we look around we can see that skin colors vary widely within these three categories.

Among white people, skin tones may vary from fair, with a hint of blue, to pink. Redheads' skins have orange tones, and those with olive complexions have yellow skin tones. The skins of black people show a similar range of tones. Some are more yellow than orange in tone, while darker skins may have underlying tones of red or blue. Orientals' skin tones also vary widely.

Clothing specialists have developed a number of suggestions about the most pleasing combinations of clothing colors with skin coloring. Once you are aware of your skin coloring, you can begin to do some thinking about clothing colors for yourself. You can study pictures in magazines to see what colors look best on people with coloring similar to yours. We each have our own unique natural coloring, and picking clothing colors that go well with it is one way we can emphasize our individuality.

Clothing experts also can tell you which clothing styles best suit different body types. They suggest, for example, that shorter people choose styles with vertical lines. This might be done by choosing patterns with vertical stripes or avoiding colors that contrast too sharply above and below the waist. For example, a medium-blue sweater instead of a white one to go with a medium-blue skirt or slacks would be a good choice for a short person. There are also suggestions for heavy people, thin people, and so on.

Fibers and fabrics

Consumer product-testing information can be a useful guide in selecting many products. Some clothing items are tested regularly – men's dress shirts, T-shirts, and raincoats; women's hosiery; and children's jeans, shoes, and sneakers. Because of the large number of fabrics and fiber combinations used, the large number of manufacturers involved in producing fabrics and clothing, and the use of store brands by many retailers, the number of clothing products to be tested is too large to handle. As a result, testing efforts have been concentrated on products produced by large manufacturers that can be readily identified by their brand names. This leaves the consumer without any product-testing information to guide important purchases of wool coats, sport jackets, good dresses, and so on. For these items, the consumer must learn how to judge the quality of fabrics and fibers.

Fiber labeling

Immediately following World War II a number of new man-made fibers appeared on the market. Each was marketed under its own trade name, and consumers had little way of knowing which had similar characteristics and which differed. To help the consumer, family names were developed for man-made fibers with similar chemical compositions. In 1960, when the Textile Fiber Products Identification Act took effect, manufacturers were required to label fabrics with the family (or generic) names of the fibers used. Trade names were also listed; for example, the label on a polyester cotton blend fabric might list 65% Dacron (the trade name of a polyester fiber made by E.I. duPont de Nemours & Co) polyester (the family name), 35% cotton (also a family name). All textile products must be labeled, and the labels must list fibers in order by weight and percentage. Fibers that make up less than 5 percent by weight can be listed only if they have some special function. This is to control attempts to confuse consumers by listing small amounts of expensive fibers. Manufacturers are also required to provide washing or cleaning instructions on a label sewn in the garment.

Fabric finishes

Several special finishes have been developed to improve fabric performance. The most familiar is the permanent-press finish, which helps garments retain their shape and resist wrinkling when laundered or dry-cleaned. This finish is produced by applying a resin compound to the fabric, followed by a heat treatment that permanently sets the fabric in the desired shape. This finish is now used on a wide variety of clothing, especially with polyester-cotton blends. Manufacturer's instructions usually state that permanent-press items should be machine-washed, tumbled dry, and removed from the dryer as soon as they are dry and then placed on hangers. Permanent-press finishes are softened by heat.

Stains are a problem in cotton-polyester permanent-press fabrics because both polyester fiber and the permanent-press finish have a tendency to attract oily stains. A common problem is the dark ring around collars and cuffs that cannot be washed out. The problem is eased by the use of soil-release finishes that permit soil to be released from the fabric more easily during washing. Such a finish is Scotchgard Dual-Action Fabric Protector, which provides both stain resistance and soil-release properties.

Water-repellent finishes also are available. Fabrics treated with these finishes resist the absorption and penetration of water for a time, but are not fully waterproof. There is a variety of water-repellent finishes, including the Cravenette finishes and Syl-mer. These finishes vary in how well they resist the effects of laundering and dry cleaning. Another group of finishes repels water and resists water- and oil-borne stains. These finishes are based on fluorocarbon compounds and include Scotchgard and Zepel. You should note that some fibers, such as nylon and polyester, have water-repellent qualities without special finishes because they absorb relatively little water.

Shrinkage in fabrics can be controlled by special manufacturing processes, such as the Sanforized process, or by chemical finishes. Shrinkage-control finishes include:

Sanforized, Rignel (cotton fabrics)
Sanforset (rayon)
Pak-Nit, Redmanized (cotton-knit goods)
Lanaset, Wurlan (wool)

When shrinkage-control finishes are used, tags should indicate the amount of shrinkage that can be expected.

Size and fit

Although size standards have been developed for clothing by the clothing industry, they are voluntary. Many manufacturers make adjustments that they believe are necessary for their own operation and customers. As a result, the fit of a particular size will vary among manufacturers and, over a period of time, even for the same manufacturer.

Poor fit may result from the choice of the wrong size or of a garment that is badly proportioned for the build of the wearer. Examples of badly proportioned garments are ones that are too narrow in the hips or too large in the shoulders for the wearer. A well-fitted garment should provide an appropriate amount of ease. This is the extra fabric needed to allow for body movements. If there is too little ease there will be wrinkles in the fabric, such as the strain marks seen across the front of skirts and trousers that are too narrow across the hips. If there is too much ease, the garment will seem baggy and too loose.

A well-fitted garment will lie close to the body around the neck, without gaps in front or in back. Shoulder seams should lie in the center of the shoulder. Sleeves should be the correct length, and the garment should be cut so that the wearer can raise his arms without the garment pulling excessively. The waistline of the garment should fall at the wearer's natural waistline.

Caring for clothes

We spend a good deal of money on clothes, and they deserve to be treated like any other valuable investment – with care. Clothes that are taken care of will last longer, and probably even more important, they will look good for a long time. Good care involves taking care of clothes on a day-to-day basis and using proper cleaning procedures.

Everyday care for clothes

Clothes should be hung up at once when you take them off. Wrinkles hang out quickly when clothes are still warm from body heat and slightly damp from body moisture. Use padded or shaped hangers for coats and jackets to help these items keep their shape. Clothes should not be crowded too closely in the closet; they should be allowed room to air. Wool in particular tends to absorb odors if not allowed to air.

Both clothes and shoes will last longer if you can rotate them instead of wearing the same clothes or pair of shoes several days in a row. Rotating clothes gives them the rest they need in order to dry out and resume their original shape. To protect good clothes from spills and stains, change to work clothes before you do chores around the house, work on the car, or help in the kitchen.

Mend clothes promptly. This will keep rips and tears from getting bigger and will keep loose buttons from getting lost. Boys as well as girls should learn how to make simple clothing repairs. Out-of season clothes should be stored to protect them from dust and moths.

Rainwear should be used when needed to protect clothes. Its use will help avoid extra cleaning and pressing bills. Wet shoes should be stuffed with paper (shoe trees might stretch them too much) and allowed to dry slowly away from radiators and hot air vents.

For Discussion:

1. How can high school students' clothes express both individuality and group membership at the same time?

2. When taking inventory of the articles of clothing you own, what else should you do besides simply making a list of the things you have?

3. Why is it useful to choose versatile items when selecting clothes? Give some examples.

4. Make an inventory of the clothes you own. What other articles of clothing do you need?

5. How would your wardrobe needs differ if you were working in an office instead of going to school?

From the beginning of civilization people have looked for a place to live. The cave people had caves, the tree dwellers had the trees, the nomads had their tents, and so on until the house as we know it came into being.

Practically everyone wants to have an attractive and comfortable home. For some people, this means finding a suitable apartment or house to rent. For others, it means fulfilling dreams of owning a home. When we consider the fact that housing is the second largest item in most family budgets (the largest is food), we get a better understanding of the importance of deciding on a place to live.

Whether to rent or buy a house is a decision that should be based on more than just money. Many people decide to buy because owning a home gives them a sense of independence and security that they do not get from renting. Other people rent because they want to be free to move about without too much difficulty and do not want to invest their savings in real estate. But whether you decide to rent or buy, the satisfaction gained from the right home can be one of the greatest joys in life.

One thing that affects a family's needs is the stage in the family life cycle. The family life cycle includes the stages through which a typical family moves, beginning with the formation of an independent household, followed by marriage and the formation of a family and ending with the death of the surviving spouse. Most people go through all these stages:

Young singles
Newlyweds
Young family – consisting of parents and young children (known as "nest-building stage")

Older family – parents and older children (sometimes labeled "the full-nest stage")

Older couples with no children at home (sometimes labeled "the empty-nest stage")

Single adult living alone (the surviving spouse living in separate quarters)

Most single people prefer living in a rented apartment because they do not want the responsibility of home ownership or the large financial investment it requires. Apartment living enables them to enjoy the maximum in convenience and comfort with a minimum of effort and investment.

The majority of young couples begin their life together in a rented apartment or house. Income and savings at this stage of life are usually not enough to make a substantial down payment on a home. Renting gives new families a chance to decide what type of home they want and where they want it before they invest in a home of their own.

Families with growing children or with youngsters in school often find that their housing needs can best be met by buying rather than renting. Income is usually higher at this stage of life than it is in the earlier years, and the family may be ready to make long-term investments. Owning a house usually offers the advantage of additional space – an important consideration for families with growing children.

An older couple whose children no longer live at home may find it convenient to sell their house and rent or buy a smaller house or an apartment. Their need for space has decreased, and their income is sometimes lower. Thus, they often find that smaller living quarters are more practical and desirable.

Determining your resources

Most families find that they cannot have everything they want in a house because of their limited resources. These resources include their financial resources, the spare time and energy they have available for home care, and their special home-care skills.

Two kinds of financial resources affect housing decisions. Monthly or weekly income determines how much a family can afford to pay for rent or mortgage payments each month. The amount of savings determines whether the family is in a position to think about purchasing a home. If the family has enough money for a down payment, plus the other costs involved in purchasing a home, it can consider buying a home. Young families and single people usually have not saved enough money, so they have no choice but to rent.

The amount of time and energy that family members are willing to spend on home care also influences housing choices. Young single people usually do not want to spend their spare time mowing grass and raking leaves. An apartment is better suited for their needs and wants. Individuals' special skills in home repair and care also may have a bearing on their choice. Those who are skilled at painting, repairs, and decorating may choose to buy a house that is in poor condition but costs less. They can fix it themselves and use their special skills to cut housing costs.

Evaluating the alternatives

The choices for the housing shopper fall into three general categories: buying an apartment or house, renting a house or apartment, and buying a mobile home. The first two categories, renting and buying a house or apartment, are most common. The third, buying a mobile home, usually involves both buying and renting. This is because the typical mobile home owner rents the lot on which his home stands. The advantages of each of these three categories will be carefully examined.

The advantages of buying a home

Many people dream of the day when they will have a home of their own, a home with enough bedrooms, ample closet space, and plenty of play area for their children.

For most American families, buying a home means undertaking a long-term credit purchase. This is the largest single investment that most families ever make, so it deserves careful consideration. Some of the advantages of owning a home are:

1. Making payments on a home is one method of saving automatically. The owner builds up an equity in real estate, instead of merely collecting rent receipts. Owning a home is an investment.

2. Buying a home stabilizes the long-range cost of a family's housing. The homeowner knows what his monthly payments will be, and he knows that the amounts of these payments will not be increased. With some degree of certainty, he can also figure the amounts that he will pay in taxes, insurance, and maintenance. The renter has less assurance of what the long-range cost of his housing will be.

3. A homeowner has a feeling of security and independence. As long as he continues his payments, he need not worry about where he is going to live. A renter is not always sure of getting a place to live nor is he always sure how long he can stay in his rented house.

4. There are some tax advantages in owning a home. Property taxes and interest charges on a mortgage are both valid income tax deductions. A person can pay rent of $3,000 a year, and none of it will count as an income tax deduction. A homeowner, on the other hand, can pay the same $3,000 a year, but $800 might represent property taxes, and $1200 might represent interest on the mortgage. The homeowner would have a $2000 income tax deduction that the renter does not have.

5. The homeowner often has a better credit rating. In addition, the equity in the home investment can be used as security to borrow money for an emergency.

6. The homeowner can arrange his home to suit his own taste. He can change room dimensions by adding partitions. He can add closet space. He can landscape the lawn any way he likes.

7. The homeowner experiences pride of ownerhsip and a feeling of security that helps to give him peace of mind.

The advantages of renting a home

Renting a home also has advantages. It gives a family a chance to get to know a neighborhood or a community and decide whether or not they want to live there permanently. Those who prefer to rent offer the following arguments in favor of their position:

1. There is a limit to the financial risks involved in renting. If a person's income decreases, he can leave a rented apartment or house with little sacrifice of savings or investment.

2. People who rent are not tied down to one spot. They are free to move to bigger or smaller quarters, to leave a deteriorating neighborhood, or to accept a better job in another city. In the lifetime of a family, there may be many reasons for moving.

3. Renters seldom have the responsibility of maintaining property. They are not faced with unforeseen repair bills that may upset their budgets; the landlord carries this burden.

4. A tenant who has a lease can easily budget for housing, since rent payments are the same each month for the term of the lease. Rising property taxes and operating costs do, however, affect rents.

5. Renting is sometimes cheaper than buying. This is because the renter avoids the real estate commissions, property transfer taxes, and closing costs that buyers must pay.

The advantages of buying a mobile home

As pointed out earlier, the typical mobile home buyer is both a buyer and a renter. While he buys the mobile home, he usually rents the space on which it is located. New mobile homes provide a pleasant place to live for a relatively low monthly outlay. They can be purchased complete with furniture if desired. Mobile homes have several appeals.

1. Financing is easy to arrange. Although interest rates usually are higher than for house purchases, there are no large closing costs at the time of purchase.
2. Because of their compact size, the low-upkeep materials used, and small lots, mobile homes are easy to maintain.
3. Although most mobile homes are not moved after they are placed in a park, they can be moved if necessary.
4. The mobile home owner, like the house owner, is free to modify and redecorate to suit his own preferences.

Things to consider in selecting a place to live

Once housing shoppers have some general idea of their needs, their resources, and the kinds of alternatives available, they can begin making a more detailed investigation of the choices available to them. In evaluating each possible choice, several things should be considered – distance from jobs and stores, community, quality of the neighborhood, inside and outside space, and other things to consider.

Distance from jobs and shopping

Most people would like to live close to work and shopping areas because of the savings in travel time and transportation costs. Rents and house prices are affected by this preference. Homes close to cities are more expensive than similar ones in outlying areas. Some people are attracted by the lower prices in outlying areas and decide the extra travel time and transportation costs involved are worth it. Not all home buyers and renters realize the extra costs they will face, however. They may find that the family needs a second car and that their auto operating and repair expenses are far higher than they had expected.

Community

Housing shoppers in most urban areas can choose among several different municipalities, each with its own separate government. An unexperienced shopper may not realize that the choice of a community can be just as important as the choice of the house itself. It influences the amount of taxes you will pay and the kind and quality of community services you will get for your money.

Your choice of community may also influence your enjoyment of your home, for communities differ in control of air pollution, noise, and heavy traffic. Municipalities also differ in zoning laws and practices. Some zoning laws are inadequate or subject to change because of pressure from big developers and commercial interests. A home buyer in such a community may find the value of his home and privacy destroyed when a seven-story apartment house goes up in the vacant lot next door.

Neighborhood

The immediate surroundings of your home – its neighborhood – will have an important effect on your satisfaction. Are the streets clean, well-lighted, and well-patrolled? Is there noisy through traffic, or is the street quiet, with only local traffic?

Does the neighborhood look attractive and stable? Are the buildings kept in good condition, or does the area show signs of becoming rundown? Is there an interesting variety in design and architecture, or do the buildings look like they were cut out with the same cookie cutter? Are there enough trees and landscaping to soften the appearance of the buildings and the streets?

Do the other residents seem like the kinds of people you want to have as neighbors? Young people often prefer to live near others of the same age, and many young families want to make sure there are nearby playmates for their children.

The inside and outside space

When looking at an empty apartment or house, it often is difficult to picture how it will look when furnished. How well will the usual furniture pieces fit into the plan? Is the space laid out so that large pieces such as sofas and beds can be arranged easily? Or are the wall spaces so cut up with doors and windows that there is little room for furniture along the walls?

Another consideration is how well the plan and the room sizes fit your life style. Where would you place yourself among these groups?

1. *Economy* Value Group – concerned about good practical housing that gives good value for the money spent. This group puts more emphasis on space and durability than on special design features or extras. Family life is informal. Meals are usually eaten in the kitchen, and as a result these families put little importance on a separate dining area. Watching television is a favorite recreation, and this needs to be taken into account in living-room planning.

2. *Family* Value Group – concerned about common family activities and interests. Space is desired for joint family activities and children's play. A separate dining area in the living room or a family room big enough to entertain large numbers of relatives at meals is desirable.

3. *Personal* Value Group – concerned about self-expression and space for family members to pursue their individual interests. Good design is especially valued. Space is desired in bedrooms for individual activities such as reading and listening to records. Yard space should offer privacy.

4. *Prestige* Value Group – concerned about the relationship between a home and social standing. These families are striving to advance economically and socially and are concerned about good taste and current styles. They prefer to entertain formally and desire a separate dining area. They are willing to make sacrifices in some areas if necessary to get impressive features such as a formal exterior design and a fireplace in the living room.

Other things to consider

Although space and its arrangement are important in determining how livable a home will be, a house is more than a series of rooms. The utilities and appliances in a home also determine how livable it will be.

Satisfaction with living quarters depends to a great extent on the occupant's ability to control the amount of light, heat, and air. These factors are crucial to our comfort. Otherwise satisfactory quarters may make us miserable if we can never get the heat above 65 degrees in the winter, of if the air conditioning always seems too cold in the summer.

The number of appliances and pieces of household equipment provided usually increases with price level. At every price level, such eye-catching features as intercoms, dishwashers, and fancy chandeliers are used to give extra sales appeal. In lower-quality housing these items often are stripped-down models without extra features or the durability provided in the middle-of-the-line models. The housing shopper should look beyond the fancy extra features to check carefully the quality of such essential facilities as the plumbing, wiring, and heating equipment provided.

Renting

The renter depends on the building's management for many important services. For this reason, it is important to have some representative of the management, such as a resident manager, readily available at all times. You may want to ask other tenants about the reputation of the management. Are they fair and honest? Do they respond quickly to requests for repairs? Are they concerned about security and safety in the building?

Duties of the landlord

Many renters fail to sign a lease with their landlords. Without one, they have no written proof that he promised anything. The tenant is usually better off with a written lease than with only an oral agreement.

Prospective renters should be aware that a lease is a legal contract and commits them to the payment of a specific amount of money, in return for which they are provided with the use of an apartment. Such contracts are binding except under special circumstances. Because of the amount of money involved and the difficulty of breaking a lease, leases should be entered into with caution. Renters should be sure that the duties and responsibilities of the landlord and of the renter are clearly specified.

A lease should include identification of the premises, beginning and ending dates of the lease, utilities and services provided, responsibility for repairs, right to sublet, landlord's right of access, and procedure for ending or renewing the lease.

Duties of the tenant

It is important that a tenant know his duties as well as his rights under the lease. If he fails to fulfill any of his obligations, the landlord may sue him for money or may force him to leave the apartment. A tenant's most important duty is to pay his rent. Courts in most states maintain that a tenant has to pay rent even if the landlord fails to fulfill his responsibilities.

The tenant, by entering into a contract to rent, implies a promise to take reasonable care of the owner's property. When he moves out, he must return the property in generally the same condition as when he moved in.

When a tenant signs a lease, he often must leave a security deposit. The amount of money is usually equal to one month's rent, which the landlord holds until the end of the tenant's lease. If the tenant does not live up to his duties under the lease, this money is often kept by the landlord. But most courts will not enforce such a claim. They say that if the property has been damaged by the tenant's conduct, the landlord should settle the matter in court.

Lawsuit for rent or damages

If the tenant has refused to pay his rent or to pay for damage done to the property, the landlord may sue to recover this financial loss. To collect, the landlord must prove that he had a valid contract with the tenant and that the tenant breached it. Analyze the following case.

Lillie Brown v. Southhall Realty Co. (1968)

The Southall Realty Company in Washington, D.C., sued Lillie Brown, a former tenant, for not paying her rent. According to the lease she had signed with them, she owed $230 back rent.

Mrs. Brown claimed she had no obligation to pay the rent since she had moved out and since the lease she had signed was illegal. A housing inspector testified that the property contained several housing code violations which made the premises unsafe, unclean, and unsanitary when Mrs. Brown signed the lease and moved in. The District of Columbia housing code says that you cannot offer property for rent where such violations exist.

The court ruled that Mrs. Brown's lease was void. The realty company had known about the violations before they rented the property to Mrs. Brown. The lease was therefore illegal, and Mrs. Brown could not be held to her promises.

The eviction process

When the tenant doesn't follow the terms of his lease, the landlord may sometimes try to force him to move out of the property. This action is called *eviction.* To evict someone, the landlord must follow certain legal procedures, or steps, and the tenant can demand that they be followed exactly. The tenant must be given proper notice before the matter is taken to court. If the tenant contests the case, a trial is held. If the tenant loses, he must move out of the premises by a certain date, or the sheriff can physically move his belongings out onto the street.

Complaints to housing authorities

Many city governments have established departments to deal with housing problems. Tenants may report unsafe or unsanitary conditions in their buildings to such a department. An inspector will investigate, and if he decides that a violation of the housing code exists, the department will advise the landlord to repair the condition. Then, if the landlord fails to make the repairs, the department may take him to court.

A tenant's complaints to authorities sometimes prompts the landlord to try to get the tenant to move out. Analyze the following case to see how the court of one city dealt with this problem.

EDWARDS v. HABIB (1968)

Yvonne Edwards rented a house in Washington, D.C., from Nathan Habib on a month-to-month basis. Shortly after she moved in, she reported a number of unsanitary conditions to the housing authorities. When an inspector came to investigate, he found more than forty housing code violations. The landlord was ordered to correct them.

Instead, Mr. Habib gave Mrs. Edwards a 30-day notice that he was ending their contract. She was ordered to move. She promptly contested the case, claiming that his notice was given in revenge for her reporting the code violations. She said that the First Amendment to the United States Constitution gives a citizen the right to petition the government and that Mr. Habib was interfering with this right.

The landlord claimed that his actions were legal. According to District of Columbia law, a month-to-month lease can be ended merely by giving the other party a 30-day notice.

The court ruled that Mr. Habib could not legally force Mrs. Edwards off the property. Effective housing codes, the court said, depended on individuals' reporting any violations. If a tenant risked being evicted when he complained of an actual violation, he would not report anything.

The housing crisis

In recent years, home prices have risen rapidly. As a result, many people cannot afford to buy a house. The widely-held dream of home ownerhsip is becoming less and less likely to come true for many groups in our population, especially for low- and middle-income families.

The basic problem is the shortage of new housing construction in the low- and medium-price ranges. High interest rates and shortages of loan money in recent times have discouraged both home builders and home buyers. Home builders found it difficult to borrow the money they needed to finance their operations, and would-be home buyers found interest rates high and loans difficult to obtain. The inflation made investors reluctant to commit their funds to long-term investments such as mortgages. In order to attract depositors, banks and savings and loan associations offered higher interest rates and, in turn, were forced to charge higher rates of interest for the mortgage loans they made. At the same time, government policies designed to stop inflation raised interest rates and held down the supply of money available to make loans.

The resulting shortage of new homes, along with rising labor and material costs, all worked to raise home prices. Prices for typical new homes being built today place them beyond the reach of many families.

Although the shortage of new medium-priced homes most directly affects middle-income families, it also has an indirect effect on low-income families. Because of the shortage of new homes in the medium-price range, many middle-income families that would have moved to a larger house or a better neighborhood have been unable to do so. This, in turn, has made fewer homes available to low-income families.

What can be done?

New programs have been aimed at two key parts of the housing problem – building costs and land costs. A number of attempts have been made to use mass-production techniques in housing construction. Parts and entire sections of homes are being built in factories with assembly-line techniques. The parts may include wall, floor, and roof panels that are erected at the building site, where wiring, plumbing, and heating are then installed. Larger sections or *modules* completely assembled with walls, floors, ceilings, and roofs, and including utilities, also are being factory built. At the building site, two or more of these modules are joined together on a permanent foundation to form a completed house.

Modular-home construction and the use of other new construction materials and techniques have often been restricted by local building codes. New efforts are being made by Federal and state governments to encourage the modernization of these codes and, at the same time, to provide adequate protection for home buyers. In the past, housing codes stated exactly the kinds of lumber, electrical wire, and other materials to be used. Many newer codes instead permit what are called *performance* standards. Instead of requiring the use of a particular material, any material that can do the job safely and well is permitted. This makes the use of new, less expensive labor-saving materials possible. One such material that has been developed is an inexpensive panel for use in walls, ceiling, and floors, which includes inside and outside surfaces sandwiched together with an insulating core and fire-resistant layers between them.

Rising construction costs have increased the demand for mobile homes. Mobile homes are available in a variety of sizes. They are designed to be towed on their chassis, which includes both frame and wheels, but unlike travel trailers and motorized homes, they are designed for year-round living. Since mobile homes are factory built, savings due to mass production are possible. In addition, mobile homes do not require a permanent foundation, and this further reduces the costs.

The development of new systems of housing construction, financing, and land use has been a major emphasis of the Department of Housing and Urban Development (HUD). In recent years, HUD's Operation Breakthrough program has financed the development of demonstration housing, using the most modern materials and technology. At the same time, it is developing experience in specifying performance requirements for fire safety, room size, insulation, and so forth. It is clear that these and other new approaches to housing must be encouraged if we are to be able to provide sound, safe, durable, and satisfying housing for people in all walks of life, rich and poor, city and country dweller alike.

Buying a house

After looking around, you may find a house that seems to be just what you want at the right price. Before you make a decision, there are several things to consider besides outward appearance.

Site

One of the first things to check is the site (land on which the house is built). Is it well drained and safe from flooding? Only recently have communities begun to develop zoning plans that prohibit building in areas that are subject to flooding or are poorly drained. A check for watermarks on basement walls will provide some indication of whether the house in which you are interested has flooding problems.

The prospective home buyer should also check to see if the ground on which the house is built is firm and stable. When homes are built on filled land or in swampy areas, foundations and walls may crack as the house settles. Serious settling problems may eventually break water lines and cause damages to the basic structure of the house. Special attention also needs to be given to the stability of houses built on steep hillsides. Is the area known to be subject to slides?

The relationship of the house to its site also deserves attention. How is the house situated in relation to the movement of the sun? Will hot afternoon sun pour into picture windows and make the house uncomfortably hot? How will the movement of the summer sun affect the use of porches and patios? Patios and porches on the west side of the house are likely to be too warm unless there are trees or other means of providing shade. Another question is the placement of the house in relation to the prevailing wind. While the house should be positioned to take advantage of summer breezes, it should be situated so that the front entry is sheltered from driving rain and blowing snow.

The landscaping provided also should be noted. Are there trees that will shade the house from the heat of the summer sun? This will make the house more comfortable and reduce the need for air conditioning. Are the shrubs around the house slow-growing varieties, or are they likely to tower over the house in a few years?

Construction

It is difficult for the average home buyer to judge the quality of the construction in a house. Local building codes provide buyers with some protection. They ensure that new houses being constructed meet minimum strength, safety, and health requirements. Conformity to Federal Housing Administration (FHA) standards also provides some protection. The FHA standards are only minimum requirements, however, and may not provide the level of performance that many buyers want.

Since the foundation of the house is its basic underpinning, it is essential that it be of strong construction and in good condition. Signs of settling and cracks are evidence of potential problems. Basements should be dry. Wet walls may be the result of condensation; this can be cured with better ventilation or a dehumidifier. Wet walls can also be the result of seepage from the outside – a more serious problem. Seepage sometimes can be controlled with better rain gutters and drains. If the problem is serious, it may require excavation around the foundation, the application of waterproofing to the outside walls, and the installation of drainage tile to collect moisture. If the house is in a wet, low-lying area, even these measures may not be good enough.

To prevent squeaking and swaying, floors should be built with cross-bridging – that is, cross braces nailed in an X shape between floor joists. You can judge the sturdiness of a wooden floor by jumping up and down in the middle of the room. The floor should not give or sway noticeably.

The interior walls of most newer homes are plasterboard rather than plaster, as in the older homes. The use of plasterboard, or drywall as it is often called, can involve several problems. Drywall is relatively thin and weak; holes can easily be punched through it by accident. When green lumber is used for studding inside the wall, the nails used to install the drywall tend to pop out, creating unattractive bumps. The joints between panels of drywall may show when the installation has been poorly finished. When buying a new house, you should find out what steps the builder has taken to guard against these problems. In older houses, problems with drywall, if present, will be obvious.

Peeling paint on outside walls can be a sign of a serious construction problem. Peeling paint often is a result of moisture condensing inside outer walls in cold weather. This condensation happens when warm, moist air from the inside of the house hits the cold surface inside the outside wall. Condensation inside the outside walls can be controlled by the installation of vapor barriers (materials that prevent the movement of water vapor) when the house is built. If vapor barriers have not been used, it may be necessary to install vents to the outside in the roof and outside walls. The installation of these vents can be expensive and complicated.

Utilities

In climates that become cold enough to require heating, the homeowner will find that the cost of heating is a major operating expense. What affects the cost of heating? The house's construction and the efficiency of the heating system are important factors. Often you can get an estimate of the heating costs by checking neighbors' previous fuel bills. In the case of older homes, you may want to check with the fuel company's records.

The most commonly used heating fuels today are gas and oil. Recently, electric companies have advertised the total electric homes in many parts of the country. Electric heat can be installed much more cheaply during construction than gas or oil heat, and many contractors favor it for that reason. However, houses equipped with electric heat must be especially well insulated, or the operating costs are high. Before considering a house with electric heat it is a good idea to check the experiences other families have had with it in the local area.

In recent years, more and more electrical appliances have been purchased and used by the typical family. The wiring in many houses, newer ones included, may not be adequate to carry the increased load.

Water pressure is another important factor to be considered. Inadequate water pressure can be an annoying problem. When water pressure is low, shower temperatures can become too hot or too cold without warning when faucets are turned on or toilets flushed in another part of the house. A water pressure check can be made by turning on all faucets in the house at full force and then flushing the toilet. The flow of the water will not vary if the water pressure is good.

Condition

Homes in top condition are in short supply. Many homes for sale need repairs or redecoration. Unless the buyer can do it all himself, he had better take into consideration the costs of the repairs needed. In most cases the buyer could paint the inside and outside of the house, but he would need expert help with plumbing, electrical, and refinishing work. Wall-to-wall carpeting is a big selling feature to many buyers, but it can really prove expensive if any of it must be replaced.

What about those little pests called termites? What do you know about them? How should an inspection be performed to determine whether the house is termite-free? Termites can be a problem in all types of houses.

Financing a home purchase

A future homeowner has to plan for the initial costs of buying or building, as well as for his mortgage payments. Preliminary costs vary with the type of home, the area, and the financing arrangements. After you decide how much you can pay for your home, the next step is to shop for a mortgage.

If you are applying for a mortgage, you must have a job, work steadily, have a regular income, and pay your bills on time. Perhaps the term "mortgage" should be defined before we discuss the topic any further. A mortgage is a contract or an agreement whereby a mortgagor (buyer) agrees to borrow, and the mortgagee (bank or other lending institution) agrees to loan, a specific amount of money for a specific amount of time at a stated rate of interest.

Now that we have learned what a mortgage is, where do we go to get one? Unless you have a steady job and excellent credit references, you are going to have a lot of trouble. Mortgage companies prefer to see an individual working two or more years for the same company because this means that he is likely to be a stable person who will get periodical raises and promotions from his employer. To be plain about it, job security plays a major role in determining whether you will get your mortgage granted or not.

Sources of mortgage money

When a bank or other institution loans you money, it charges you interest (a percentage of the amount borrowed) so that it will make money on the transaction. Interest rates are not always the same. Money is like any other commodity. When the supply is great, it costs less to borrow because the interest rate is lower. When the supply is scarce (tight money), the interest rate goes up and it costs you more.

The funds for mortgages come from many varied sources, such as:

1. **Commercial Banks** – Commercial banks lend some money for mortgages, but they are also permitted to make consumer loans at a higher interest rate, so they make relatively few mortgage loans.

2. **Savings Institutions** – Savings and loan associations are the greatest source of money for home mortgages. They are permitted by law to loan money only for mortgages or home improvements.

3. **Insurance Companies** – In order for insurance companies to pay dividends, they must make money with their premiums. Therefore, they invest in many fields. Their investments include mortgages, stocks, bonds, etc. They loan substantial amounts of money for home mortgages.

The kinds of mortgages available

Very few people can afford to pay cash for a home. The great majority of buyers pay a certain percentage of the purchase price as a down payment and finance (borrow) the difference.

When you borrow money to buy a home, you must pay interest and other charges for using the borrowed money in addition to the cost of the home. It is therefore important that you make your arrangements for a home loan carefully. This is one of the biggest steps that you will take in life, and it must be planned as a combat commander plans for a strategic movement in battle. The wrong plans could ruin you for life.

Shop around and get the facts before entering into a contract for the purchase of a home. You should have answers to the following important questions:

How much do I need to borrow to buy the home?
How long should I take to repay the loan?
How much is the loan going to cost me?

The larger your downpayment, the smaller mortgage loan you will need; if you can only afford a small downpayment, you will need a larger loan. When lenders invest their money over extended periods of time, they expect to get substantial returns. You will pay less interest by borrowing as little as you can and repaying the loan in the shortest period possible.

When you make your monthly mortgage payment, you are paying back both principal and interest. *Principal* is the amount of the loan without the interest charges. Sometimes other charges are included in your monthly payment, such as real estate taxes and fire insurance. The lender holds this money and pays your tax bill and your insurance premium when they are due. This arrangement is called an *escrow* agreement.

There is no set figure or ratio as to what amount of your income you can afford to spend for your monthly mortgage payment. Some experts say that 20 percent of your income can be used for your mortgage payments, including your monthly escrow items. Another theory is that you can afford to spend approximately one week's salary for one month's mortgage payment. No two people are alike; therefore, you cannot apply one rule to everyone. You must consider all aspects of a person's way of life. Does he entertain heavily? Is he buying many things on credit? Does he have doctor and hospital bills? Does he have exotic tastes in foods? Does he buy expensive clothes? What does it cost to heat and maintain his home? Until you know the answers to these questions and many more, you cannot say what is a safe ratio between income and mortgage payment.

The Federal Housing Administration (F.H.A.)

Our government created the Federal Housing Administration in 1934. Under the F.H.A. program, the government does not loan money. Home loans are obtained from private lending institutions and the homes are built by private contractors. The F.H.A. *insures* the private lender against loss and requires that new homes be built to meet certain minimum standards. Through this system of loan insurance and the development of housing standards, the F.H.A. has established a pattern of long-term, low-interest loans and has helped to improve housing standards in the United States.

Because lenders are insured against loss, they are willing to accept smaller down payments and to lend their money over a longer period of time for a lower interest rate. This has brought millions of people into the home-buying market who might not otherwise have been able to get a mortgage loan.

The Veterans Administration (V.A.)

The Veterans Administration gives qualified veterans the opportunity to purchase homes with little or no down payment, at a low interest rate and with a long repayment period. The V.A. does this by guaranteeing a certain percentage of the loan.

Both the V.A. and F.H.A. set maximum interest rates on the loans they guarantee. Sometimes a lender may consider the rate too low and may charge a premium (usually known as a *point*) when the loan is arranged to make up for the low interest rate. A point amounts to 1 percent of the total mortgage loan. Sometimes more than one point is charged.

The conventional loan

Conventional loans involve only the lender and the borrower and are not insured by government agencies. The interest rate is not regulated by the government, but may be high or low, depending on whether interest rates in general are high or low. A homeowner who would like to pay off his mortgage (perhaps because interest rates have gone down and he can do better elsewhere) is usually charged extra for doing this. The extra charge is called a prepayment penalty.

For Discussion:

1. What are some of the factors to consider when you are deciding whether to rent or buy a home?

2. List the advantages and disadvantages of each.

3. Why is the choice of a community important when buying a home?

4. In addition to outward appearance, what are some of the things to consider when choosing a house?

5. What is a mortgage, and where can you obtain one?

6. What are the differences between F.H.A., V.A., and conventional mortgage loans?

You are finally old enough to become another driver along America's network of super highways. After getting your driver's permit and completing both the written and road tests, you have your driver's license and you now want your own wheels. Have you ever taken the time to consider that driving a car is a big responsibility? We use the automobile for many purposes. We drive to work, to the market, to visit relatives and friends, and for recreational purposes. The automobile can be a dangerous weapon if not properly used.

Over half of the world's automobiles are owned by Americans. One survey estimated that American drivers drive their cars over 800 billion miles in one year. With more cars and more drivers each year, we face serious problems that affect our social and economic life. More and better highways have to be built by levying more local, state, and national taxes. Additional cars not only crowd the streets and highways, but they create the everincreasing problem of where to park them. Suburban shopping centers have become thriving business enterprises because they know the importance of providing ample parking space.

A car is often a status symbol, an indication to others that the owner has climbed a number of rungs on the ladder of success. Cars, whether new or old, affect our families, our jobs, our vacations, our social lives, and many other areas of life.

Buying a used car

Now that you have become qualified as a new driver to roam the many highways of our nation, you have one desire – to own your own wheels. A quick check of your assets reveals that your funds are quite limited. That sleek new sports car that captured your eye is only a dream. But why not purchase a good used car? You can find rather good buys provided you know how to go about it.

Often the want ad section of a newspaper is a good starting point in the search for a used car, but you can also be misled by advertisements. Sometimes when you arrive at the car dealer's used-car lot, you are told that the car has already been sold. Now

comes the old salesman pitch – he has many other fantastic buys still available. Another type of come-on advertisement to induce you to visit the lot is the ad indicating that you can purchase a repossessed car by simply taking over the payments left by the previous owner. What do you find upon your arrival? Often there is no saving , as these cars are being sold at regular prices.

As you can see, you need all the help you can get to avoid these situations. Start by selecting a used car dealer with an established reputation. The established dealer usually will keep on his lot only the cars that he thinks can give reasonably good service. Check for dealers that have shop facilities and mechanics to put a used car in good shape. These are the ones who will usually stand behind their warranties.

As a prospective used-car buyer you should bear in mind certain pointers.

1. Have a mechanic check the car thoroughly to determine whether or not it is mechanically safe. He will be able to tell whether or not the car has been involved in an accident. Take the car to a diagnostic clinic for tests to determine the condition of a car. Paying for a thorough checkup might be money well spent if it reveals evidence that you should not make the purchase.

2. Request to take the car on a road test. Some dealers may not like this idea; if not, try others. During the road test, check for faulty steering, bounce that will indicate worn shock absorbers, or unusual noises. Make a check for engine sputtering when you accelerate rapidly. Check your brakes to determine how well they hold on all four wheels, and check to see that the hand brake operates properly. Stop the car and check the exhaust. This will also help to determine whether or not the car burns excess oil.

3. Never trust the salesman's word for the condition of the car. He is there to make his commission, and in most instances he might not know as much about the car as you do. Beware of some of the extra-clean cars with engines usually clean enough to eat from, especially on large used-car lots. These might be lemons.

4. Consumer Reports offers important information on most cars. Look up the repair record of the car you are interested in purchasing. Automotive magazines are also a good source of information.

Buying a new car

Of the many things to consider in selecting a new car, one of the most important is the car size. Buying too much car or too little car for your needs can make the difference between long-term satisfaction and some degree of unhappiness. You can find many different models to choose from. Although people with large families may still

prefer large cars, most Americans are now following the trend to smaller, more economical cars. Federal standards for pollution control have resulted in less efficient engines which get fewer miles per gallon of gas. To add to the problem, recent oil shortages have led to higher gasoline prices. A large automobile can be very expensive to operate.

Any car represents a compromise for you as the car buyer. The first place to start thinking about what features are most important to you is at home before you visit a car dealer.

The dealer

How should you select the dealer to buy your new car from? Some buyers rely on their own previous personal experience with a good dealer. For others there may be a family relationship, past business relationship, or personal friendship. For most new car buyers, however, the choice is usually based on these other considerations:

1. The deal offered, including trade-in allowance and the overall cost of the new car.
2. The new car buyer should keep in mind how far the dealer is located from work and home, the two points from which most car owners drive for car servicing. The complex nature of today's car practically demands that dealer service be readily available for maintenance and warranty work on your car when needed.
3. Before signing those papers to make you a proud new car owner, ask about service facilities and personnel. Find out whether they guarantee their service work. What do they offer to make service easier for their customers? Do they have cars available for you to use while your car is in service? What hours is the service department open?
4. Besides questioning the dealership staff, you may want to ask other customers whether or not they have been satisfied with the service department and other services offered by the dealer.

Test-drive before you buy

Most dealers have new model cars you can test-drive. Perhaps none of them are exactly like the model you intend to purchase, but driving the basic car itself will give you a good understanding of how yours will operate.

So you are green when it comes to knowing what to look for in a test-drive. Perhaps some of these suggestions will serve as a guide for you. After you get in, but before you drive:

1. Grip the door handle to cose the door, check effort required to close it, and make sure it is tight when it is closed.
2. Lock the door.

3. Adjust driver's seat to a position most comfortable for you. Check all safety belts and put on yours.
4. Make a visual check to see that all driving controls are within reach. Ask the salesman about those you are not familiar with.
5. Check visibility out of windshield, to the sides and through the rear window. Adjust side and rear view mirrors. Be sure that all instruments are visible and operating.

Where should you drive? The salesman may have already selected a route for you. If not, try to select one that will give you a chance to drive the car under various conditions.

1. Stop-and-go traffic, including driving up and down hills, and using right and left turns.
2. Travel over rough, unimproved, or bumpy roads.
3. Use of high and low speed on flat surfaces.
4. Backing up and parallel parking between cars.

While you are driving, look for the following:

1. For safety: Does the car steer and brake easily? Are the operating instruments easily seen, and how good is visibility while driving? How stable is the car on turns and other maneuvers?
2. For comfort: Does the seat feel comfortable? Is there enough room, and do you feel at ease? Do the ventilation, heating, and air conditioning seem satisfactory?
3. For convenience: Can you easily reach and operate the windshield wiper and headlight switches, heater controls, and radio controls?

What about your present car?

If you are one of those wealthy young persons who already has some sort of vehicle, you have to decide what to do with it. There are five things you can do with your present car:

Trade it in on the new car.
Sell it outright.
Keep it.
Junk it.
Give it to somebody to use as transportation or for parts salvage

How to find out how much your car is worth

If you plan to trade or sell your car, you must find out what it is worth. The true value can only be determined by how much somebody is willing to give you. Locating that person is the difficult part.

For most used cars, there is a reasonable value somewhere between the lowest genuine offer made and the highest dollar you could get if you found the best buyer. How do you check out the car's value?

Do some personal research. Check the daily newspaper ads some car dealers run to sell their used cars. Read the classified used car ads to find out the sale price others are asking for similarly-equipped makes and models.

If you have a friend who is a good mechanic or is in the car business, he can help you determine the worth of your car. You can also go to a used car dealer and find out how much he is willing to give you for your car. Last, but not least, check a new car dealer to see how much he will give you as a trade-in or a direct sale to his used car department.

Remember–these key factors will affect the value of your car:

1. The car itself (make, model, age, desirability, mileage, condition).
2. The area you live in.
3. Original popularity of the model when new.
4. Economic condition of the area.

Financing your car

Right out of high school? Can you afford to lay down $3,000 or more at one clip for that jazzy new buggy you saw the other day? If not, how are you going to pay for it? You will have to finance it by borrowing the money.

Can you trade in your present car if it is not paid for? Yes. If you owe less on your car than its trade-in value, your dealer can arrange to take it in trade, pay off the balance of your loan, and credit the difference between the trade-in value and what you owe toward the down payment on your new car.

Can you finance a second car while still making payments on your present car? If you have a steady income and excellent credit references, most lenders will be glad to handle your financing needs for the second car.

A law called the Truth-in-Lending Act lets a borrower comparison-check the cost of financing a car. The act requires that the lender disclose the details of each contract, including the true annual interest rate for borrowing stated sums for stated periods.

When deciding to borrow, use the most economical means – the way that will be least expensive to you in the long run. Many persons use banks, credit unions, or even borrow on their life insurance policies (provided they have the type that has loan value). It really pays to shop around for a loan instead of taking the first one you hear about. You might end up saving hundreds of dollars in interest charges.

Costs of operating a car

How much does it actually cost to operate that shiny buggy sitting in your driveway? The expense involved in owning and operating your car is a headache from the time that you drive from the dealer to your home. The basic expenses which you will be confronted with are:

gasoline	maintenance
oil	insurance
repairs (major or minor)	registration
depreciation	

The largest single expense involved in owning a car isn't money that you pay out, but value that you lose. This expense is known as *depreciation.* This means the decrease in the value of property caused by use and time. Depreciation on a car can be as high as one-third of its cost in the first year of ownership. Your car will further depreciate approximately 25 percent each following year. Once that new car is sold by the dealer to you, the consumer, it becomes a used car, and its value on the car market decreases several hundred dollars.

As a car gets older depreciation costs decrease, but maintenance costs increase. One study found that repair and maintenance costs become higher than depreciation costs during the fourth year of ownership. For many, this is a sign to get rid of that heap of junk and buy another car. However, this is not true in all cases. Proper maintenance, performed at specific intervals, will keep down costly repair bills and make the car last longer. Read your car-owner's manual and follow the suggested maintenance schedules. Owners of new cars or used cars still under warranty will find that following the maintenance schedule is important in order for the guarantee to be effective.

Use of the proper octane of gasoline and the proper SAE number (Society of Automotive Engineers) of oil are important factors in prolonging the life of your automobile. In recent years, most of our automobiles have been manufactured to operate on regular gasoline; however, some high compression engines still require the use of premium gasoline. Starting with the 1975 models, cars require no-lead gasoline.

For your protection and that of other people's property, you should have adequate car insurance coverage. Automobile insurance will be covered with the unit on insurance.

Vehicle registration

Now you have your own car and you can't wait to get it out on the highway. But first it must be registered and must display a license plate for the state in which you live. Some states require a license plate on the rear of your car only; others require one on the front also. License plates must be kept clean so that the license number is plainly visible.

A person who is properly registered in his own state and displays proper license plates will be permitted to operate his vehicle in any other state. However, if he becomes a resident of another state, he must register his car in that state within 60 days.

To prove valid ownership, the owner of the car is required to have a certificate of ownership in his possession at all times. This certificate helps to protect you as the owner from automobile theft.

For Discussion:

1. What should you look for when shopping for a used car?

2. Why are smaller cars increasing in popularity?

3. How should you select a dealer when buying a new car?

4. List some things you should check when test-driving a car.

5. What is the largest single cost in owning and operating a car?

Are you ready to purchase furniture or just dreamily window-shopping? Whether you are ready to furnish a room, your first apartment, or a dream house, there are probably moments when you feel certain that cardboard cartons and sleepings bags may have to be your way of life. This section will help you select the furniture that will meet your needs and reflect your tastes and interests.

Consider your needs

Your needs and desires (and those of your family), the style of furniture, and the kind of space you will have, should all be carefully considered before you actually go to buy furniture. Take time to study magazines and furniture advertisements; go window shopping in stores and model homes; talk to store decorators to help you discover the styles, colors, and designs that appeal to you.

Setting up housekeeping

How much money does it take for a young person or a young couple to set up housekeeping independently? As many states have lowered the age limits for marriage, there will be more and more young newlyweds planning to set up housekeeping. More young "singles" are starting their own homes, too. They will either rent a furnished apartment or try to furnish one themselves.

Few young people are likely to be able to afford all the furnishings they want immediately. Therefore, it is especially important for them to decide which things they need first and then plan a program of purchases. Such a plan will help them move toward their goals as quickly as possible. They may decide that they do not need to buy everything right away on credit and perhaps run the risk of becoming overcommitted to installment payments. A plan will also help in evaluating whether the overall goal is realistic.

Avoid one big mistake which is often made, not only by young people, but by older adults as well – attempting to furnish your house or apartment at one time on limited funds. Buy the basic furniture that you can afford at the time and add to these as you go along. Many people overextend their budgets and buy all their furniture at one time on credit. True, your home may look like a showplace, but if you become delinquent in your furniture payments, you could stand to lose everything you have already invested thus far.

Credit helps us get the things we want *when* we want them. But remember that credit costs money. Interest rates can be confusing. An interest rate of 1½ percent a month seems low, but if you figure the actual amount of interest paid in a year, you will find the rate is actually 18% per year. Since passage of the Truth in Lending Act, borrowers can find out ahead of time just how much they will have to pay in finance charges. The lender must tell you the total amount of these charges and the true annual percentage rate. Make sure you get this information whenever you use credit.

The furniture industry in the past few years has begun to give more attention to the special needs of young adults and has begun to design more furniture to suit their needs and limited budgets. Multi-purpose furniture, fold-up tables, and other space-saving items are being manufactured to fit into small apartments. Such items as inflatable furniture and paper furniture reduce costs and save space. Some young people purchase unfinished furniture, while others either make their own or improvise, such as bookcases made with bricks and boards, desks made from doors placed on top of pairs of two-drawer file cabinets, and coffee tables and end tables made with electrical cable spools. In evaluating the cost of used and unfinished pieces, the cost of finishing materials and the value of one's time should be taken into account as well as the prices of the items themselves.

Buying appliances

Have you taken inventory of the electrical appliances you own and will need? Many appliances are necessities, while others are nice-to-have items. Before rushing out to the nearest appliance store, know what you want. Think about the space available, landlord's rules, number and types of electrical outlets, and of course, your financial situation.

Shopping for your appliances

You will note that the title is *shopping* for your appliances. There is a difference between *buying* and *shopping*. Buying an item usually requires no prior planning; you could just buy the first appliance you see of the type you are looking for. The *shopper*, on the other hand, will carefully study information available on the appliance he wants,

ask questions of others using the same type, and look around till he finds the best buy. You cannot always depend upon information furnished by the salesman. Check all models to determine what features each has to offer. In making your final selection, you should realize that while the more expensive model may have more features, it will also cost more to repair. Ask yourself whether you really need all of the gadgets offered on the expensive model.

Safety and capacity

Have you ever received an electric shock from an appliance? If you have, you found that it was not a pleasant experience, and you know that safety should be a key consideration in buying appliances. Buying unknown brands of poor design and construction can be dangerous. Inquire about shock hazards prior to making your purchase. Many appliances must be grounded to prevent short circuiting. You can tell if the appliance has built-in grounding conductors, as it will have three wires in the appliance cord and a three-prong plug instead of a two-prong plug.

Large families should purchase appliances to meet their needs. The washing machine should be able to handle large loads, the refrigerator and freezer should be large enough to store enough food to prevent everyday shopping; and air conditioners should be the right size for the areas being cooled. Remember – the larger the appliance, the greater the operating cost.

For Discussion:

1. What should you consider when deciding what kinds of furniture to buy?

2. What is the biggest mistake you can make when buying furniture if your funds are limited?

3. What questions should you ask when shopping for an appliance?

Before we can arrive at an understanding of our economic system, we must first define the word *economic*. The word is believed to have originated from an old Greek word *oikonomia*, which meant "management of the household." In a society, it is the study of how people produce (make), distribute (move from the producer to the consumer), and consume (use) the things they need and want. With the economic situation of today, we might also say that it is a study of the process by which man attempts to get the most satisfaction possible from the resources available.

Each nation has an economic system. The American economic system is called *capitalism*. Capitalism is an economic system characterized by private ownership, the use of capital to make a profit, and by prices, production, and distribution of goods that are determined mainly in a free market rather than by government.

The American economy has always been identified with capitalism. Through the years, the system has gone through changes as the government has found it necessary to establish certain controls on business to protect the consumer. But we are still a capitalist country.

Goods and services at a price

What do you find when you take a close look at what makes up our economic system? The close observer will discover multitudes of farmers, wholesalers, retailers, manufacturers, and service businesses.

There are all kinds of businesses. A business may be as small as the corner newsstand or shoe shine parlor, or it might be as large as our automobile and oil industries which are world-wide. The businessman, whether he operates a neighborhood grocery or a department store complex, has to predict what goods his customers will want and what quantities they will buy. Some of these goods will vary in size, shape, color, and of course, price range. The businessman orders what he needs from producers or manufacturers, who in turn must be able to predict what the businessman will order so as not to have too much of one item and not enough of another.

A business sells either goods or services for a price. For goods you go to the grocer, hardware store, department store, or jeweler. For movement of people and goods there are businesses such as airlines, steamships, trains, and buses. To keep us in touch with the rest of the world, we have telegraph, telephone, television, and radio companies. There are many services that must be performed by skilled workers, such as plumbers, auto mechanics, electricians, barbers, and beauticians. In the field of professional services, there are doctors, nurses, dentists, architects, educators, and lawyers waiting to serve you.

Right of private property

Most people want to own property at one time in their lives; this could be a home, a business, or a piece of land. We classify this as *private property*. Private property means the right to own something and to manage it much as you please. This does not mean, however, that you have the right to do absolutely anything with what you own. For example, if you own a truck or a bicycle, you may do what you please with it so long as you do not harm others or break the law.

Of course, there are exceptions to all rules, and private property is not excluded. Our local, state, or national governments can take private property for use when it is necessary to do so for the good of the public. They must pay the owner a fair price for the property. The process is known as the *right of eminent domain.*

Right of private enterprise

You will often hear the term *freedom of enterprise* used. Perhaps this phrase will have little or no meaning to you. Freedom of enterprise means that anyone has the right to go into business for himself. Suppose you wish to open a shoe store, a body shop, or a beauty shop. If you can find a suitable location and if you have the necessary finances and are willing to abide by laws relating to starting and operating a business, you can go ahead and open your store.

Competition is the life of trade. When two or more businesses are selling the same kinds of goods or services, each company tries to get customers to buy from it rather than from the others. These businesses are *competitors.* A business must give the customer what he wants at the right price, or he will go to a competitor. Competition helps to keep prices down, keeps quality high, and leads to the development of new and better products.

For Discussion:

1. How would you define "economic?"

2. How do you think capitalism is different from other economic systems, such as communism or socialism?

3. How does competition help to keep prices down?

Keeping up with the Joneses can send you to the poorhouse. Perhaps before you try keeping up with the Joneses, you had better compare incomes and how they are spent. People with the same take-home pay do not all have the same lifestyles. One family will use most of its income for housing or cars, while another may prefer to spend its money on expensive vacations.

For needs

Regardless of what your income is, you will spend a large part of it for food, shelter, and clothing. Other expenses which might be considered needs are transportation, medical expenses, and education. Needs of families differ depending upon long-range and short-range goals and the importance placed on these goals.

For wants

Much money is wasted on frivolous things in life. Satisfy your basic needs first, then make carefully planned decisions on how to use what income is left. Items such as cosmetics, special foods, stylish clothing, sports cars, and an elaborately furnished home or apartment are some of the things we might want to satisfy our pleasures and comfort.

Many of your wants may be long-range goals which require saving over a period of time. For example, a college education for your children may only be a dream unless you have prepared for it.

As you mature, your wants will change. A college education or plans to marry may cause a desire to increase your earning power. The individual is constantly trying to raise his level of living as a member of society. This leads to a greater demand for goods and services. Meeting these wants by increased production is the key to raising the living standard of the society.

Transportation

Transportation is often your third largest expense. If you live in a city, you may depend largely on public transportation such as subways or buses, even if you own a car. The suburban or rural resident usually owns his own car and uses it for almost all transportation needs. He may participate in a car pool to get back and forth to his job.

Medical expense

The costs of medical care have increased so much in the past few years that it sometimes seems that only the rich can afford to become ill. Your place of employment probably offers you health insurance which will help to pay most of your hospital expenses, but you will still pay for some medical expenses yourself.

Insurance

Some families feel that insurance is an added financial burden and either carry very little or none at all. But without insurance, an unforeseen emergency can be a disaster. Various types of insurance will be discussed in a later chapter.

Savings

Savings may be in the form of bonds, savings accounts, or savings certificates. Unless you make payroll deductions under a savings program, you may find that it is difficult to always save the same amount each pay period.

Why save in the first place? You do not know what tomorrow will bring. All sorts of unexpected things can happen, such as serious illness, death of the breadwinner, or unanticipated expenses. Then, too, if you are planning an expensive purchase or a vacation, why not save up for it so it will not be a financial burden? Another reason for saving is to build up a nest egg for your old age. Pensions and social security payments may be inadequate, especially with the cost of living steadily rising.

Miscellaneous

Under this category, we will group recreation, gifts and contributions, personal care, and any unexpected expense that may arise.

For Discussion:

1. What are some of the factors that determine how an individual or a family spends its money?

2. Give examples of long-range and short-range goals.

3. What are some of the reasons for saving money?

As a consumer, you are entitled to certain rights, but you also have certain responsibiliites Your rights are summarized in the "consumer bill of rights", which states that the consumer has:

1. The right to make meaningful choices.
2. The right to have all available information concerning the use and care of the merchandise at the time of sale.
3. The right to expect that the product she is receiving is safe.
4. The right to be heard by the manufacturer of the product.

Right to get what you pay for

In past years, the neighborhood butcher or grocer sometimes had his scale off-balance in his favor, or he might leave his hand on the scale as he weighed your products. In recent years, with more emphasis being placed on consumer affairs and with the appearance of our present-day supermarkets, those old-fashioned methods of cheating the customer have just about disappeared.

Whatever purchase you make, you are entitled to get what you pay for. The amount specified on a package or a container should be accurate. To protect the consumer, agencies have been established at all levels of our government to check the weights and sizes of many products.

Get clear title to goods you buy

The word *title* is mostly used in connection with the purchase of automobiles, homes, and other large items. Title merely means proof of ownership. In making a car purchase, your certificate of ownership is a title; however, unless you pay cash, the original title is kept by the lender until your loan is paid. Your proof of ownership for a home is called a deed.

An item is not yours until you pay for it. Some merchants will permit you to make a purchase on a trial or approval basis. If the merchandise is not returned by a specified time, it becomes yours to pay for.

Goods must be merchantable

Goods that are *merchantable* have not been spoiled or damaged, nor are they in any way unfit for use. A good merchant will not jeopardize his reputation by selling anything but merchantable goods. However, if goods are labeled "as is," "spoiled," or "irregular," then it is up to you to determine the quality of the goods. The merchant will not be responsible for any defects.

Many merchants state that all purchases made during a sale are final and that there will be no refunds or exchanges. Some merchants will offer exchange privileges, but no refunds.

Goods must be described by the seller

Take a survey. How many of you read the labels before you purchase an item? So what if you bought a dress which is plainly labeled "dry clean only" and you toss it into the old washing machine and ruin it. After all, what is money to you, and what is it for, if not for spending? That is the attitude of many consumers today, but how much smarter they would be if they took a minute to learn how to take care of the product.

It is up to you to read labels and advertisements and try to tell the difference between genuine and phony statements about merchandise. Often the items advertised as being on sale are either out of stock or sold out by the time you arrive at the store. They are a come-on to get you to the store in the first place. Sometimes the sale item will turn out to be inferior, and you will end up spending more money to buy a more expensive item.

Guaranteed items may be replaced

The phrase "guaranteed or your money will be cheerfully refunded" appears in magazines, in newspapers, on the radio, and on television. But what is a guarantee, and just how good is it? A guarantee, or warranty, is a written statement given by a seller or manufacturer promising to repair, replace, or give you a refund if merchandise is faulty or doesn't perform the way it is supposed to.

Warranties can be complicated and full of legal fine points. You should understand what is actually guaranteed and for what length of time. Your warranty may cover all or a part of the merchandise, but it will not cover damages resulting from misuse.

The wording of a good warranty should include the following.

Name and address of who is giving the warranty.
To whom it is issued.
Who is responsible for labor and shipping charges.
What is covered and duration of such coverage.
In case of breakdown or defect, what will be done to make it operational?
Purchaser's obligation to make the warranty valid.

Unordered merchandise

No doubt you have at some time received unordered merchandise in the mail. You are under no legal obligation to keep it or pay for it. However, while these goods are in your hands, you should not use them. If you do, an acceptance will be implied as a matter of law, and the title to the goods will pass to you. What you should do is to mark the package "Return to sender" or "Rejected" and take it to the post office or give it to your postman. You may also notify the seller to send for it, or you may keep it for a reasonable time and discard it.

Violation of buyer's rights

Any time you feel that your rights as a buyer have been violated, there are courses of action that you can take. There are agencies set up by your local, state, and federal governments for consumer protection. The Better Business Bureau provides the general public with valuable information and assistance. Many consumers could avoid being cheated if they would seek help from their Better Business Bureau. The Bureau will investigate all claims and will help the consumer get an adjustment if the claim turns out to be valid. If you are in doubt about a firm, they will give you information about the credibility and reliability of the firm in question.

There are many other agencies that are organized to protect you as the consumer. Don't hesitate to seek their assistance.

For Discussion:

1. List four rights which you have as a consumer.

2. If you buy a shirt which is labeled "irregular", what responsibility does the seller have if you find a defect in the shirt?

3. What is a guarantee?

4. What should you do if you receive unordered merchandise in the mail?

5. If you think your rights as a buyer have been violated, what can you do about it?

UNIT III

ECONOMIC RISKS AND INSURANCE

Lesson 1 — Automobile Insurance

A survey was made in one of our southern states to find out the number of automobile owners operating cars without insurance. The survey revealed that over 800,000 uninsured drivers operated cars in that state alone. Of course, you think that you can never become involved in an automobile accident because you are a careful driver. The truth is that it can happen to anyone.

Pick up your daily newspaper and you can almost always find an article about a fatal auto crash. More people have been killed in our country by automobile accidents than in all the wars that the United States has been involved in, from the Revolutionary War to the Vietnam War.

You help to avoid accidents by driving carefully. But you still need automobile insurance. Why? What can you gain by spending more money to buy insurance? Protection. There is insurance to protect your car from anything that could happen to it, except for wear and tear. Insurance will also protect you if your car injures anyone or damages somebody's property.

Insurance can protect you from financial losses resulting from car accidents, but not from the responsibility of breaking traffic laws. If you are involved in an accident, because of negligence or reckless driving, you could lose your driving privileges, receive a fine, or even go to jail. For these things there is no insurance protection.

What kinds of driving protection are available to you by auto insurance companies? Auto insurance protection is commonly grouped under six coverages:

1. Liability insurance.
2. Medical payment insurance.
3. Protection against uninsured drivers.
4. Comprehensive physical damage insurance.
5. Collision insurance.

Bodily injury liability insurance

As today's high-speed cars cause extensive damage, liability insurance is the most important insurance that you can buy as a car owner. This type of insurance provides payments to others for injuries or for property damages caused by your car or by someone else's car driven by you.

Types of coverages are expressed as "100/300/10" or other combinations. This means that the insurance company's liability is limited to $100,000 for injury to one person, $300,000 for two or more persons injured in one accident, and $10,000 for property damage.

It is a good idea to carry larger amounts of coverage than the minimums required by state financial responsibility laws.

Medical payments insurance

This coverage takes care of medical, hospital, and funeral costs for you, your family, and passengers, whether you were at fault or not, and for you and your family no matter whose car you are riding in. Under this coverage, you and your family receive certain medical expenses if you are struck by a car while you are a pedestrian.

Protection against uninsured drivers

We said before that in one state over 800,000 uninsured drivers operated cars. Suppose you are driving down the road, returning from a pleasant weekend at the shore. You approach an intersection and because you have the right-of-way, you pay little attention to the jalopy approaching from your right side. There is a loud crash and your car is struck by the other one. While going through the procedures required for making an accident report to your insurance company, you discover that the other driver has no auto insurance. If you have uninsured motorist coverage, your own insurance company will make payment.

Coverage against uninsured drivers is available to you only if you have bodily injury insurance. Under this coverage, you and all passengers in your car are protected.

Comprehensive physical damage insurance

You are protected under this policy against fire, theft, tornadoes, falling objects, windstorms, glass breaking, and many other kinds of damage. Your protection covers all losses except those caused by an upset or collision. The cost of replacing the owner's windshield alone would cost more than the policy for several years of premiums. These rates run slightly higher than a standard fire and theft policy.

Collision insurance

This is the policy which will take care of damages to your car caused by turning over or collision. Most insured drivers have this policy written with a $25 to $100 deductible clause because it lowers the cost of the insurance. Since your losses would not ordinarily be more than a few hundred dollars, perhaps you feel that it would be a waste of money to carry this coverage. If there is a lien against your car, the finance company will require you to obtain it, as they usually have more financial interest than you do in your car.

What is meant by a deductible clause? Let's say your car is involved in an accident and the cost of the repairs is $450. If you had a $50 deductible collision policy, you would pay the first $50 and your insurance would pay the rest, or $400. The costs for collision insurance will vary in different areas and with the age of the driver. Unmarried male drivers under the age of 25 will pay the highest rates.

No-fault automobile insurance

An auto has stopped for a traffic light and is struck in the rear by another. A driver pulls away from the curb without checking to see if the way is clear and causes and accident. In these examples, it is easy to see where the fault lies. But determining who is at fault is often difficult. Many dollars and days have been lost in long court battles trying to establish fault in an accident. Some cases have taken as long as five years. The insurance companies save money when fault doesn't have to be determined by use of investigators and lawyer's fees. Many states have adopted a no-fault automobile insurance. How does it work?

1. You are paid by your insurance company, regardless of who was at fault.
2. Your policy covers you, your guests, and pedestrians.
3. Medical bills and loss of wages will be paid.
4. Other drivers in cars involved in the accident will be covered by their own insurance companies.

Cost of automobile insurance

Insurance rates are based on what the companies have had to pay out in claims over the past three-year period. Each state has an insurance department or commissioners to regulate insurance rates. Some insurance companies have certain standards in selecting persons to be insured and usually will offer lower premiums to those who meet their qualifications.

Other factors to be considered in the cost are:

Age of driver.
Safety record of driver.
Place of residence.

Value of the car
Purpose for which car is used
Average miles car is driven in a year

A male driver under 25 years of age who is the owner and principal driver of a car would pay the highest rates.

Drivers having no serious traffic violations or involvement in accidents where they were at fault for a certain period of time may be rewarded by a reduction in rates. However, if you have a poor driving record, you could either pay much higher premium rates or not have your policy renewed when it expires.

Where you live also affects your insurance rates. Large urban areas have higher accident rates than rural or smaller urban areas. There are more injuries also in these large areas, resulting in payments of higher claims. Not only do accidents increase, but so do thefts and other causes for claims.

Other factors involved in computing your rates will be the value of your car, average miles driven yearly, and the purpose your car is used for.

Automobile accidents

When you are involved in an accident, you are excited and it is hard to think clearly. But it is important to remember the proper things to do.

1. Call for a doctor or make arrangements to have injured persons moved to a hospital.
2. Safeguard against further accidents occurring because of this one.
3. Call police and report the accident so that they can determine the facts and render an impartial report.
4. When another car is involved, obtain the name, address, driver's license number, car license plate, insurance company, and data about the other car (make, model and year).
5. Secure names and addresses of witnesses to the accident.
6. Admit no responsibility.
7. Report the accident to your insurance company immediately, or have someone else report it if you are injured. If you are away from home, notify your nearest claims representative.

For Discussion:

1. Name and describe the types of automobile insurance available to a car owner.

2. Describe how no-fault insurance works.

3. Outline the proper procedures for reporting an accident. What actions should be taken by the driver provided he is not injured?

4. What are some of the factors which determine insurance costs?

What is life insurance? Why should you buy it? What kinds of life insurance are there? Which is the best buy? What savings values does it have? These are only a few of the questions you might ask about life insurance.

Life insurance may be defined as a contract between a person buying protection for himself or family members and an insurance company. The contract is a written document, called a policy, and you as the buyer are the insured. Each year you will pay the insurance company a certain amount of money known as a *premium.* Each year the policy increases in its cash value. When you die, the insurance company promises to pay the face value (the amount of money you are insured for) to a beneficiary (the person named by you to collect the insurance money in the event of your death). However, some types of policies pay the face value of the policy to the insured, if he is still alive on a specific date.

Why buy life insurance?

Approximately two out of every three Americans are covered by some type of life insurance. The two main reasons for carrying life insurance are:

1. to provide financial security for dependents after the insured dies.
2. to build up savings.

Financial security for dependents

Once you marry and become the head of a household, you are faced with the possibility, even though it might seem unthinkable, that you might die or become disabled, leaving your family without any source of income. Life insurance provides cash for immediate needs, such as for funerals and other indebtedness, and funds for your family's living expenses.

Savings through life insurance

Depending on the type of insurance policy you buy, it is possible to combine protection with investment. The cash value of your policy builds up with payments of your premiums, and the longer your policy is in force the greater the cash value becomes. Provided your children are self-supporting by the time you reach the age of sixty and you have a good cash value built up, it could be used as a retirement fund. Cash value may be used in other ways, too. You will find that borrowing from your life insurance company, up to the limits specified in your policy, is the lowest-cost loan you can get. You may also cancel your policy at any time for the cash value it has built up.

Term insurance

A term insurance policy does not offer a savings or investment feature. It merely provides financial protection for the person named as your beneficiary. You are insured for a certain number of years, and payment is only made if you die within this time period. If you live until the end of the term, your policy expires and there is no longer an insurance contract. However, if it is renewable term insurance, you may renew it when the term expires, but at a premium based on your age at that time.

Term insurance policies frequently include provisions for the right of *conversion,* which means that the policyholder can change the term policy to a permanent plan. Having this provision is important, because it could prevent the necessity of having a medical examination which is required for a permanent plan.

For a young married man not having enough money for an adequate permanent plan, term insurance may be his best bet for providing temporary security for his family.

Whole-life insurance

As previously discussed, your premiums for term insurance increase at each renewal period. Whole-life insurance will provide protection for your entire lifetime at no change in premium. Savings features are built into whole life policies. Two basic types of whole life policies are offered – straight life and limited-payment life policies.

Straight life (ordinary life)

The most popular cash value policy is the ordinary life policy. You must continue to pay premiums for your whole life. Many policyholders surrender their policies at age 65 for the cash surrender value regardless of when they started their policies.

If Father Dies:	To pay last expenses.
Cash	To pay taxes, debts, and other costs.
	To pay off the family mortgage.
Readjustment income	Continuing father's income while family makes necessary adjustments in living
Family income	Monthly income for mother while children are small.
Life income for mother	Regular monthly income for life after children are grown.
Cash reserves	For use in meeting unexpected cash needs.
If Father Lives:	
Income for retirement	Monthly income for life for mother and father.
Money for emergency	Cash to meet unexpected expenses.
Money for special purposes	Gifts and systematic savings for family goals.

Ordinary life policies generally carry the lowest premium of any cash value policy. If you are seeking a policy to provide a fixed income for a beneficiary at your death, this type of policy will meet your needs.

Endowment policies

An endowment policy plan agrees to pay a definite sum of money at a certain time to you, or to your beneficiary in the event of your death. This is an expensive form of insurance, costing more than a limited-payment policy for the same number of years. An endowment policy is mainly used as a means of saving money. After the time specified in your policy, you collect the cash value of your policy. You now have a certain sum of money, but you no longer have any life insurance coverage. Long-term endowments are usually planned so that money will become available at age 60 or older. Your earning power at this stage of life has been reduced, and the endowment money may be used to supplement your earnings.

Limited-payment life policies

A contract for a limited-payment policy is the same as a straight life contract, except that your premiums are paid only for a limited time, usually 20 or 30 years, instead of for life. Since you will be making fewer payments, your rates will be higher than those for straight life. Once you have paid these premiums, you will have a fully paid-up insurance policy. Your insurance company will pay the face value of the policy to your beneficiary.

Mortgage protection insurance

Mortgage protection insurance can be classified as decreasing term insurance. Your death benefits decrease each year until they become zero at the end of the term of your policy. This is because the amount of money you owe on your mortgage decreases each year. This insurance will pay off the unpaid portion of the mortgage loan, thus leaving the beneficiary with a clear title to the property.

Family income

This policy is normally an ordinary life policy with a decreasing term provision added so that if the policyholder dies within the terms specified in the policy, his family would receive a monthly income. Usually the beneficiary's monthly income is approximately 2 percent of the death benefit. For example, a man bought $30,000 worth of family income insurance on a 10-year plan, calling for a 2 percent monthly income. He took out the policy on January 2, 1969, and died the same month of issue. The benficiary would receive 120 payments (each month for 10 years) of $600 (2 percent of $30,000). After the 120 payments, the beneficiary still has the face value of the policy – $30,000.

Group life insurance

This is a life insurance plan issued by many insurance companies on employees of business organizations, members of labor unions, teachers' associations, religious societies, or other groups. A contract is made between the insurance company and the sponsoring group and is called the "master policy." The individual receives a certificate indicating the value of his insurance and the name of his beneficiary. Usually a statement is included stating that he may convert his policy to an individual policy without a physical examination within 31 days after terminating his employment.

There are several ways of paying the premiums. Some employers pay the entire amount, while others share the cost with the employee. In no instance will the employee be required to pay the total cost. Group insurance provides a substantial amount of temporary low-cost insurance. Insurance companies find it is less expensive to offer a group policy at a low premium than to deal with individuals. Group insurance is a term policy.

Which is the best policy?

When you buy a suit, you need to be measured for proper fit, so you get help from the salesman. If there is not a suit on the rack to fit you, one will have to be tailored to your size. We might compare buying insurance with the purchase of a suit. What is a good size for someone else may not meet your desires or needs. Therefore, an insurance program should be tailored to meet your individual requirements. You must sit down with insurance representatives and carefully plan an insurance program that will be best suited to your individual needs and your economic situation. Too much insurance is almost as bad as too little. Buy what you can afford to continue in force.

For Discussion:

1. Why do we need to carry life insurance?

2. How can we make use of the cash value of a life insurance policy?

3. Define the following:

   a. term insurance
   b. whole-life
   c. endowment policy
   d. group life

4. How do you decide which kind of life insurance is best for you?

Why make the sacrifices necessary to buy a home if you are not going to protect it from daily perils? Fire sirens awaken you at all hours of the night; your daily newspaper tells of someone's home having been burglarized; a person is being sued for damages or injuries because of a loose step on his stairway or porch. For protection against such hazards, you need homeowners insurance.

In homeowners insurance, one or more of the following *coverages* may be included. A so-called *comprehensive* policy covers them all.

Coverage A – Dwelling (house)

Coverage B – Appurtenant private structures (extra buildings)

Coverage C – Personal property (furniture, clothing, jewelry, etc.)

Coverage D – Additional living expense (in case your home is so damaged that you can't live in it.)

Coverage E – Comprehensive personal liability (pay for someone injured on your property or because of your actions)

Coverage F – Medical payments (for your own injuries in a case covered by this insurance)

Coverage G – Physical damage to property of others (such as hitting a baseball through a neighbor's window)

Fire insurance

To understand fire insurance, we must realize its purpose and what it will or will not do for us. It is a personal contract covering your insurable interest in the property. What is meant by *insurable interest*? Insurable interest means how much of a financial loss you would suffer if the property were destroyed. Insuring someone else's house would not be an insurable interest unless you suffered a financial loss from it. The most that your insurance company will pay if your property is destroyed by fire is the cash value of your property at the time of the fire. If you insured your home for $40,000, but it is only worth $30,000, then you will be paid only $30,000 if it burns to the ground. The amount written on the face of the policy is the maximum amount that can be collected for a loss as the result of a fire.

In applying for fire insurance, you buy it for one, three, or five years. The cost per year is lower on a long-term policy, so you save money by buying it for three or five years. If you should decide to cancel your policy, which you may do at any time, the insurance company will return part of the premium you have paid.

Personal liability insurance

Everyone receives mail, packages, or visitors at home. It is possible that on some occasion someone might injure himself on your property; if so, he most likely will want to *sue* you (take legal action against you in court). In your study of automobile liability, you were told how essential it is for all drivers to have liability insurance. Accidents don't happen only in cars. Property owners, and even those that rent apartments, can be held liable or responsible for injuries and damages such as:

A friend slips on your waxed floor and injures himself.

A golfer accidently strikes another with his club.

Your dog bites the postman.

You accidently spike a passerby on a rainy day with your umbrella.

A man slips on your sidewalk because you failed to shovel it after a snowstorm.

Cost of homeowners insurance

For the amount of protection a property owner receives from his homeowners policy, the actual cost is low. The cost will depend on the estimated danger of losses. These are some items to be considered by your insurance company which may affect the cost:

Building construction – wood, brick, or concrete – and type of shingles on roof.

Type of surroundings that may create fire from other buildings.

Fire protection offered by city or town.

Term for which policy is written.

For Discussion:

1. Name at least 5 coverages which may be included in a comprehensive homeowners policy.

2. Why is it foolish to insure your home for more than its value?

3. What determines the cost of a homeowners policy?

4. Think of some situations when you might use your homeowners policy.

We never know when we might get sick, have an accident, or need an operation. With medical and hospital rates rising along with everything else, not many people can afford the additional burden of medical bills. Health care is one of our most important needs, but it is an expense that is difficult to budget for in advance. The reason for having health insurance is to protect the family against the financial problems that a large or unexpected medical bill can cause.

Types of health insurances

Health insurance may be bought in five different forms of coverage. People usually have coverage for surgical, regular medical, hospital, and major medical expenses. But what about the income lost when a person is not able to work because of illness? The fifth type of health insurance – loss-of-income protection – helps replace income lost during an illness.

Hospital expense insurance

Depending on the insurance company and the terms of your policy, you may be covered for all or part of the hospital expenses for room and board, and portions of costs for X-rays, examinations, drugs, laboratory fees, and operating room charges. Your policy usually states the number of days of hospitalization covered and the amount it will pay per day. Rarely is a patient covered for the cost of a private room.

Hospital expense insurance is perhaps the most popular of all types of health insurance. However, like anything else, the buyer must be careful in selecting a hospital expense insurance. Many are advertised on TV and radio, or in magazines and newspapers. While many might be legitimate, there are those which claim to offer too much at a low price. Remember – you usually get what you pay for.

Surgical expense insurance

This policy pays all or part of the cost of any surgery you or your family may require. The maximum allowance for each type of surgery is usually spelled out in your policy. You should read your policy to be familiar with what coverages you actually have.

Regular medical expense insurance

Sometimes you may be required to have nonsurgical care at the hospital, at home, or in the doctor's office. Your policy will specify how much it will pay for each visit and the number of visits covered for each illness or injury. This policy must be bought in combination with other types of coverage and usually it covers only hospital visits.

Major medical expense insurance

This type of policy is designed to cover most of the costs resulting from a serious accident or major illness. Major illnesses or serious accidents usually happen unexpectedly, and we are caught off guard. Expenses can easily amount to thousands of dollars. The average wage earner is certainly not able to deal out that much money at one time.

After benefits from your hospital, surgical, and regular medical policies have been used up, major medical coverage begins. As in your automobile insurance, there is a deductible clause, which means that you must pay a certain amount of the bill before your insurance company pays its share. Your policy may require you to pay as much as $100 for your deductible portion, and in some cases up to 25% of any amount above the first $100.

Loss-of-income insurance

Some insurance companies will permit you to purchase this coverage under a group plan without having other coverages. Your premiums will be based on the amount of income to be replaced and the length of time you will receive payments. This coverage is especially helpful in the event of prolonged illness. Some employees are covered by sick leave provisions or workmen's compensation and do not feel they need this coverage.

Workmen's compensation insurance

Nearly all states require employers to carry workmen's compensation insurance. This protects the worker and his family in the event of injury or death on the job. It provides for payment of hospital and medical bills, as well as compensation for a disabled worker. Workman's compensation laws vary from state to state.

Workmen's compensation is one form of social insurance. The term applies to forms of insurance which are provided to protect families having small incomes against various hazards such as illness and unemployment. Usually the insurance plan is prescribed by law. Those who are insured pay only part of the cost, often as a payroll deduction. Employers may pay all or part of the rest. The government also may pay a part from money obtained by general taxes.

How to purchase health insurance

Although health insurance may be bought as an individual policy, the majority of Americans participate in a group health plan.

One of the most common fringe benefits offered by employers to their employees is the group health insurance plan. The insurance company issues a master policy to the employer, and each member insured receives a certificate of participation. Premiums are paid in all or part by the employer. The cost of an individual policy would be much higher than the same coverage offered by a group plan.

Blue Cross and Blue Shield

Blue Cross and Blue Shield, the largest of our present day nonprofit medical plans, are sponsored by both the American Hospital Association (AHA) and American Medical Association (AMA). Normally, membership is on a group basis, but individual memberships are also available.

Blue Cross provides hospital care up to a certain number of days for its members. This will include room and board, use of operating room and X-ray equipment as required, medications, regular nurse services, and any additional services indicated in the policy. Blue Cross pays the hospital directly. Additional care or items not covered in your policy, such as a private room, must be paid by the patient.

Blue Shield covers doctors' fees for various types of surgery, as well as costs for the doctor's care while the patient is hospitalized. Coverage may include payment for the doctor's services rendered either in his office or at the patient's home.

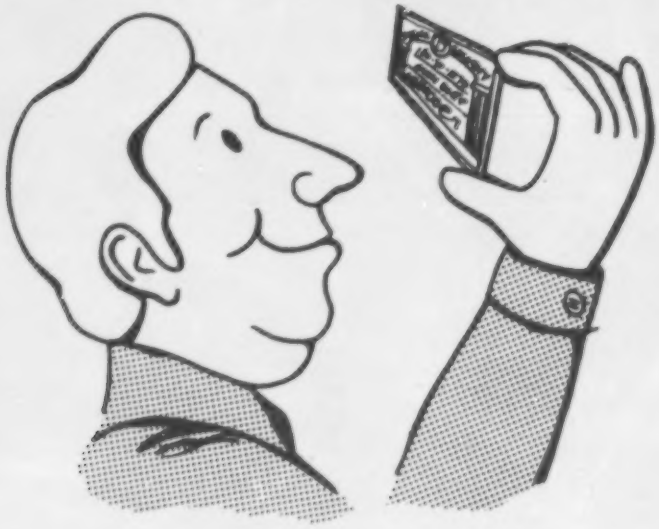
For Discussion:

1. Why is it important to have health insurance?

2. Name and define the five types of health insurance.

3. In major medical expense insurance, what is the meaning of *deductible clause*?

4. What is the advantage of a group health plan compared to an individual policy?



What happens to a family with small children when the father suddenly dies? Their financial support has been lost. Of course, he may have provided insurance for his family in the event of death or disability, but with the cost of living constantly rising, eventually their reserve may be eaten up. The Social Security program in our country will help the family by providing monthly benefit checks until the children reach the age of 18 years.

Social Security Act

What is social security? It is a plan, operated under federal laws, consisting of old-age, survivors, disability, and health insurance. Also, a supplemental security income program was begun in 1974 for those who are 65 and over or blind or disabled, and who have little or no income and limited resources.

During the depression of the 1930's, it became apparent that most people had no protection against economic risks such as unemployment, disability, death, and old age. Federal action was the answer to the growing needs of the American people. Congress enacted and passed a Social Security Act in 1935. Initially, the Social Security Act was a federal system of old-age benefits for retired workers in business and industry. Since that time, the social security program has been broadened to cover many workers who had not initially been covered – farm operators, farm hands, household employees, and those who were self-employed.

How is Social Security financed?

Check your pay stub each time you are paid, and you will see F.I.C.A. (Federal Insurance Contributions Act) funds deducted. This is your social security contribution. The employer and the worker share the taxes equally. A self-employed worker has to pay the entire tax himself, but his rate is lower than the combined rate of employer and employee. Your F.I.C.A. taxes are computed from the amount of your earnings. A certain percentage of your earnings is withheld by your employer, and after adding an equal amount for his share of the tax, he forwards the deductions to the Director of Internal Revenue. The amount that the worker and employer pays is changed from time to time by Congress. As of 1976, the contribution rate was 5.85% for each, and scheduled to go up after 1977.

Who likes to think about getting old? We would all like to find the fountain of youth, but so far that idea is just a dream. Ideally, each person should make plans for support in his old age, make provisions for his family's financial security in the event of his death, and make provisions for financial security should he become disabled and unable to work.

Social security through many modifications has provided partial solutions to these three problems, although the benefits do not usually provide adequate cash for most people to live on.

Old-Age retirement payments

After an individual has worked long enough to be fully insured and has reached the age of sixty-two (widows qualify at age sixty), he and certain members of his family qualify for monthly social security payments after he has retired. What does "fully insured" mean? It means that a person is eligible for certain kinds of benefits depending on his average earnings. If he is fully insured at death, benefits can be paid to certain members of his family.

The amount paid for retirement benefits will also depend on the worker's retirement age. Full retirement is actually at age sixty-five but if the person desires, he may retire at age sixty-two with a 20% deduction in benefits. On reaching age sixty-five, there will not be an increase in benefits if he elected to retire at the earlier age. If he continues to work after retirement, his earnings must not exceed the amount allowed by the federal government's regulations, or his social security benefits will be reduced.

Disability insurance

A person is considered disabled if he is unable to engage in *any* substantial gainful activity. For example, if you cannot do your regular work, but can do other substantial gainful work, you are not considered to be disabled. In order to qualify for disability benefits, you must submit to medical examinations, be disabled at least six months, and

your disability must have lasted 12 consecutive months or be expected to last 12 months. Your payments would equal those of a person retiring at age sixty-five. Once you have reached age sixty-five, you are placed on the old-age retirement list.

Survivors insurance

Social security benefits are payable to certain members of the family of a wage earner if he should die. Dependents and survivors qualifying for benefits must meet the following requirements.

1. Unmarried children under age 18, or to age 22 if they are full-time students.
2. Disabled unmarried children age 18 or over, provided they were disabled prior to age 22.
3. Wife under 62, widow under 60, or surviving divorced mother, if she is caring for a child under 18 or disabled, and if the child is entitled to benefits.
4. Wife 62, widow, or dependent widower over 60, or a disabled widow, or dependent widower 50 or over, even if there were no children entitled to benefits.
5. Surviving dependent parents 62 or over.

Medicare

Medicare is a popular name for our federal government's system of financing medical care for individuals 65 and over and for those receiving social security disability benefits for at least two years, regardless of age. There are two plans – Part A (a basic compulsory program of hospital insurance) and Part B (a voluntary program of supplementary medical insurance). Each person who is covered is issued a medicare card.

Part A – hospital insurance

Coverage under Part A helps pay for the care a person receives as a patient in a hospital and for limited follow-up care after leaving the hospital. Most individuals 65 or older and those receiving social security benefits for at least two years are eligible for hospital insurance automatically. The financing for this protection is through contributions paid while the individual is working.

Part A helps pay for:

Bed in a semi-private room and all meals including special diets.
Operating room charges.
Regular nursing care (intensive care included)
Drugs furnished by the hospital.
Laboratory tests.

X-ray and other radiology services.

Medical supplies such as splints and casts.

Use of appliances and equipment furnished by the hospital such as wheelchair, crutches, and braces.

Medical Social Services.

Part A does not pay for:

Personal comfort or convenience items (such as radio, television, telephone or any other special items.)

Private duty nurses.

Private rooms.

Noncovered levels of care.

Doctor's services

Part B – medical insurance

Part B helps pay for doctor's bills and costs for other medical items and services not covered under Part A, including outpatient hospital services. Unless an eligible individual declines, he is automatically enrolled in the medical insurance part of Medicare, although this coverage is voluntary. People with this coverage pay a small premium each month to cover part of the cost, and the federal government also contributes toward the cost. Part B is kept on a pay-as-you-go basis, as required by law. The Medicare program is far more complicated than this brief explanation. Further information is available from the Department of Health, Education and Welfare.

Part B helps pay for:

Medical and surgical services by a doctor of medicine or osteopathy.

Certain medical and surgical services by a doctor of dental medicine or a doctor of dental surgery.

Podiatrists' services which are legally authorized by the state in which they practice.

Other services which are ordinarily furnished in the doctor's office and included in his bill such as: diagnostic tests and procedures, medical supplies, services of his office nurse, and drugs and biologicals which cannot be self-administered.

Part B does not pay for:

Routine physical checkups.

Routine foot care and treatment of flat feet and partial dislocations of the feet.

Eye refractions and examinations for prescribing, fitting, or changing eyeglasses.

Hearing examinations for prescribing, fitting, or changing hearing aids.

Immunizations unless related to an injury or immediate risk of infection.

Services of certain practitioners, such as naturopaths, Christian Science practitioners, and chiropractors.

Part B also pays for certain outpatient hospital services, such as X-rays and emergency room care.

Private pension plans

Before the establishment of pension plans, all that an employee could expect to receive when he retired after years of faithful service might be a gold watch or $100. Programs providing for retirement pensions have been established by many businesses, industries, labor unions, and professional associations for their employees or members. Today, millions of workers are covered by privately sponsored pension programs.

How does a worker qualify for one of these pensions? He/she must work for the same firm or business for a minimum number of years. This is a problem for someone who changes jobs often. However, no matter how many times you change jobs, your social security is not affected, because benefits are paid on your total earnings from all jobs.

In 1974 the Employee Retirement Income Security Act was signed into law. This law sets minimum standards for private pension plans. One of the most important provisions is the guarantee that a worker will not lose his retirement benefits, either 100% or a percentage of his accrued rights, after he has worked for a company for a certain number of years, even though he may leave that company before retirement age. The number of years of employment required may vary from 5 to 15 years depending on the plan chosen by the employer.

The law also provides the opportunity for self-employed persons and persons employed where there is no private plan to set up their own plans.

Pensions are paid not only to retired workers of industries, but to retired workers of schools, hospitals, and government units. Our military services have a particularly good retirement plan based on years of service and rank held at the time of retirement. An individual may retire from military service any time after the completion of 20 or more years of active-duty service at 50% of his base pay plus 2½% more for each year of additional service up to a maximum of 30 years service.

Unemployment insurance

In a modern industrial world, a certain amount of unemployment is to be expected because of job changes, economic conditions, population increases, and automation. The federal government established a system of unemployment insurance to provide temporary help for those who lose their jobs. Separate unemployment insurance

programs are operated by each state under the general direction of the federal government. The goals of the unemployment insurance program are:

1. To provide an income for involuntarily unemployed workers and their families for a certain period of time.
2. To maintain purchasing power in the hands of the working population to help the businessmen.
3. To maintain a decent standard of living for people who have no other source of income.

Eligibility

Eligibility requirements for compensation will vary from state to state, but the general rules which apply to a person seeking help are:

1. He must have worked the required length of time before becoming unemployed.
2. He must have been unemployed for a specific length of time.
3. It is not his fault that he is unemployed.
4. He must register for employment at a Public Employment office.
5. He must be able and available for employment.

For Discussion:

1. What are the 5 programs included in the social security system?

2. Who pays for your social security coverage?

3. What determines the amount of retirement benefits a person receives?

4. What does medicare include?

5. How does changing jobs affect your social security benefits?

UNIT IV

MONEY MANAGEMENT

Lesson 1 **Inflation**

What is money? Anything which is commonly used and widely accepted by a large number of people for the settlement of their obligations is money. In many areas during World War II, cigarettes were accepted as a form of money. Money has four principal functions:

1. Medium of exchange – payment for labor, goods or services.
2. Measure of value – determining how much labor, goods, or services are worth.
3. Store of value – saving money to be used as purchasing power at a later time.
4. Standard of future payments – making arrangements to pay a certain amount of money for something over a period of time. This makes credit possible.

In tracing the beginnings of money, you will find that its use dates back to the dawn of civilization. Such items as cattle, grain, slaves, precious jewels, and tobacco were used as money in the past. As gold and silver were valued highly by society, they were formed into coins and used as a medium of exchange.

Inflation is a serious threat to American prosperity. Inflation is a steady rise in prices. There is a *spiral effect* in any inflation. Prices go up. Then working people demand higher wages to make up for the higher prices. With wage costs up, businesses must raise prices some more. And so on and on.

Economists usually use three tools to measure inflation: the Consumer Price Index (CPI), the Wholesale Price Index (WPI), and the Gross National Product (GNP).

1. The Consumer Price Index is a monthly report of the retail prices of the things most of us buy. The Department of Labor checks prices throughout the country of about 400 selected goods and services every month. Then these prices are compared to prices for the same items the previous month and previous years. Each month the new figure is announced as a news item.

2. The Wholesale Price Index compares current wholesale prices with prices for the same items in the past. Economists pay a lot of attention to this index because it often forecasts future increases in retail prices. Increased wholesale prices are later passed on to you, the consumer.

3. The Gross National Product is the total value of all goods and services produced in the nation.

Effects of inflation

Inflation favors a few at the expense of many. In simple terms, inflation is a big rip-off for many people right away, but if it is permitted to continue year after year, eventually everyone loses. The following people are immediately affected:

The losers are:

1. **Working people.** Wage and salary increases are not usually enough to keep up with price increases.

2. **Retired people.** These people exist on a fixed income – either private, military, or social security pensions. Social Security benefits are periodically raised, but never enough to match the cost of living.

3. **People with savings.** You may try to spend less than you earn to save for a special purpose, such as a down payment on a car or a home, or a special vacation. Your savings may be in the form of savings bonds, or it may be in the bank in a savings account. Inflation can reduce the value of your savings. For example, if you deposit $100 in a bank and earn $5 interest at the end of the year, you will have $105. But say that during that same year our nation was hit by a 10% inflation. Your $100 now has a buying power of $90. Even adding your $5 interest, you can only buy as much as $95 would have bought before inflation. Therefore, you are $5 worse off than when you started.

4. **Low-income people.** People in this category lose during inflation because the greater part of their wages and salary have to be spent for things like food and housing, which increase in cost during an inflationary period.

The inflation "winners" are:

1. **People owing money.** Inflation benefits people in debt. A 10% inflation over a period of time would mean that a person who borrowed $100 is able to pay the loan back with dollars that have the purchasing power of only $90. However, it would only work this way if the lender had not figured a cost of inflation into his interest rate.

2. **Property owners.** Owners of office buildings, warehouses, apartment buildings, and homes often appear to benefit from inflation in the short run. A homeowner buys a house for $25,000. With inflation, the value of the home rises q uickly. A few years later, he sells it for $40,000, which would appear to be a profit of $15,000. But what happens when he tries to buy a similar home? He discovers his profit vanishes, because the other house sells for $40,000 also.

How can inflation be prevented or slowed? The ways most often used are listed below.

1. The **government** has ways of reducing the money supply and making credit harder to get. One way is to increase taxes on both individuals and businesses. People do not have as much money to spend, and businesses have less money for expansion. The government also attempts to reduce its expenditures.
2. **Business firms** should try to produce enough goods to meet the demand for them. They should not cut down production to keep prices up. They should avoid buying up raw materials beyond their needs, because this raises the price of these raw materials for everyone. Businesses that cooperate in slowing inflation will not try to "make a profit" every time costs increase, but will be satisfied with a reasonable profit.
3. **Labor** will try to get greater production from each employee and will not make unreasonable wage demands in negotiations with industry.
4. **Consumers** can help by reducing unnecessary spending. When everyone buys to keep ahead of rising prices, prices keep going up.

Deflation

We hear a lot about inflation, but some of us may not know about *deflation.* Deflation is a fall in prices and income over a period of time. Our country has not experienced deflation since the period of the Great Depression in the 1930's.

Although they are related, economic depression and deflation are not the same thing, but they generally occur together. If for some reason business activities are reduced sharply, causing prices to fall, and if it continues for several months, the rate of unemployment will rise.

Deflation has its advantages. You can once again buy more with the money you saved prior to inflation. However, deflation can reach a point where it will prove to be harmful to business in general.

Just as there are ways to control inflation, there are methods that different groups in our society use to try to control deflation.

1. The **government** has ways of making credit easily available. This makes it possible for business to borrow money easily and cheaply for new factories, machinery, etc. The government may also decrease federal taxes so that people have more income left to spend. The government itself will spend more, too, to stimulate business.
2. **Business** will produce more goods and try to get people to buy more by offering credit and lower prices.
3. **Consumers** will spend their money to buy things that they need. **Bargains** are often available.

For Discussion:

1. What is inflation? Deflation?
2. Explain the effects inflation has on retired people; low-income people; working people.
3. Give the meanings for Consumer Price Index, Wholesale Price Index, and Gross National Product.
4. Discuss the ways that inflation may be halted or controlled by (1) government, (2) business firms, and (3) consumers.
5. Discuss the ways the consumer can help control deflation?
6. How has inflation affected housing?

What is income? It is the money earned by labor, business,or property. What will determine your income? The value placed on what you do determines the amount of money that you are paid. A highly skilled carpenter can sell his talents for a higher income than a common laborer. Higher wages are also paid where businesses compete for workers with scarce talents and skills. Those who have the ability to supervise and organize the work of others are usually placed in managerial positions and are paid higher wages.

A family may earn a substantial income but may not know how to use that income wisely. Each family must decide how to make the best choices for getting the most from its income. We tend to raise our standards of living as our incomes increase.

Living within your income

A wise spender tries to get maximum benefit from his income. Not many of us can say that we get all the things we want. Sometimes we want things that we don't really need. Just because your neighbor has a new car does not mean that you must have one also when your old one is paid for and operates quite efficiently. Maybe your neighbor can afford that new car because his income is greater than yours, or perhaps he spends his money differently from you.

The store manager knows that there are people who are impulsive buyers, and he prepares for them. He simply places hard-to-resist items near the store entrance or at some other conspicuous place. Are you one of these persons that did not plan to buy, but are tempted when you see things attractively displayed? Have you ever had an allowance at the beginning of a week disappear long before the week is over? Living within your income requires good money management. A budget helps you plan the use of your money. We will learn more about budgets in Lesson 3 of this unit.

In your study of life insurance, you discovered there was no one policy to suit everyone's needs; this is true for good money management also. Experts can give you suggestions which you can adapt to your own needs. The following aspects of money management should be considered: (1) substantial income, (2) wise spending, (3) proper use of your purchases, (4) planned gifts and contributions, and (5) some sort of savings program.

Substantial income

The good money manager plans to earn a substantial income that will support those who may be dependent upon him. During your school years you may have worked at some sort of part-time job. After you have finished your schooling, you are ready for full-time employment. You should be prepared to meet the qualifications required for the kind of job you are seeking.

Employers often require a minimum of a high school education for full time employment, and for some jobs more training is required. Those who are mature, well educated, and technically trained are most likely to be employed first.

Wise spending

Before you buy something, especially if it is an expensive item, ask yourself these questions:

1. Do I really need it? If so, why?
2. Is it worth the cost in terms of my effort to earn the money?
3. Is there a better use for the money?
4. Am I buying it to do as others do? to show off? to make someone envious? to make myself feel important?

You will find that buying is simply a matter of making choices. You must choose between wants and needs, between one product and another of the same kind, and between spending your money now or saving it.

There are not too many people who earn enough money to buy everything they want without considering whether they are financially able to pay for it or not. Planning can help you get the most for your money. Watch for special sales and bargains being advertised by all retail stores. Some sales are clearance sales to close out styles, models, or items at the end of the season, while others are special goods brought in for the sale.

At the beginning of the season, style goods are at their highest prices. Prices will go down as the season progresses or if sales are slow. A smart consumer avoids buying merchandise he does not need immediately. Of course, some of our foods are seasonal and we cannnot defer our buying until prices fall. However, a person can watch prices and buy the kinds of foods that are being sold currently at reasonable prices.

You very seldom get something for nothing, even though some things may appear to be free. If you receive trading stamps or premiums, their costs are included in the prices you pay. Sometimes these stores may offer bargains in a few areas, but charge more in other areas. Check before shopping to determine whether or not prices offered at the trading stamp stores are really a savings.

In most of our communities, discount stores try to compete with the larger department stores. They may carry household equipment, appliances, clothing, and even food products. Many of their products are unknown brands. Some may be good and others may be of poor quality. Deliveries and repair services are not always available, and in many cases, if available you pay extra for them. If you buy from a discount store, make sure you are getting good merchandise.

Proper use of your purchase

We often do not take care of the things we buy, even when we pay a lot of money for something. Let's say you have an expensive new 10-speed bike. To show off your new bike, you take it to the swimming pool and leave it unlocked, and it gets stolen.

We could think of many other examples. Your textbooks are left in the rain or lost, handled with unclean hands, or maliciously damaged. Lawnmowers and other materials are left out in all kinds of weather, allowing them to rust. Failure to lubricate your car or make minor repairs on it when necessary shortens the car's life.

Planned gifts and contributions

Most people earning incomes consider it a responsibility to support their churches, reputable charities, and other worthwhile groups which depend on public contributions, such as the volunteer fire department and rescue squad services.

You should plan your contributions, and give whatever you feel you can spare. Be wary of unsolicited mail received from charitable organizations. Many of these organizations are legitimate, but others are frauds. If you are not sure of the legitimacy of one of them, or if you do not want to contribute, either mark it "Unsolicited – Return to Sender" and give it to the postman, or destroy it.

Prepare a list of special dates to remember for personal gifts, such as birthdays, anniversaries, graduations, and other occasions. With such a list, you can plan in advance.

Savings program

Everyone talks about saving, but few ever do anything about it. It is like making a New Year's resolution, but never putting it into practice. Your best plan for savings is to develop a habit of saving regularly, no matter how small the amount. Establish one or more goals for saving, such as future education, marriage, a car, a vacation, or going into business for yourself. Money saved will work for you by earning interest. Open a savings account at your local bank, join a Christmas or Vacation Club, or buy savings certificates or savings bonds. Your place of employment may have a savings program offered through a payroll deduction plan.

Putting your money under the mattress is old-fashioned and foolish. There it works for no one – except burglars. Furthermore, if it is there, you will be tempted to spend it more readily than if it were invested in a savings program.

For Discussion:

1. Why is a carpenter paid more than an unskilled laborer?

2. Discuss the importance of a budget in living within your income.

3. Before purchasing an expensive item, what questions should you ask yourself?

4. What goals might you establish for saving money?

Any person, no matter how large or small his income might be, must do some financial planning if he wants to use his money in the best way possible. Financial planning will consist of budgeting, keeping certain records, and providing for savings.

Budgeting

You would not attempt to drive a car without some kind of steering mechanism on it, so why spend your money without a budget to guide you? What is a budget? A budget is a definite plan for using available money to obtain as many as possible of the things we want. It will involve estimating how much income is available that can be spent or saved, and then planning expenditures. Income includes not only what you receive in wages or salary, but earnings from any other sources. Expenditures include all money spent and money saved. The following are good points to remember when planning a budget.

2. Your spending habits may not change just because you begin a budget, but the budget should help you make important adjustments.
3. You must plan your own budget; you cannot use someone else's budget.
4. A good budget attempts to meet the needs and wishes of all members of the family.
5. A good budget must be flexible.

Estimating available cash

The family budget should provide a space to indicate all cash available to be spent. This includes actual cash on hand, cash in a checking account, income that is expected, and any money that may have to be borrowed. Usually the savings which you have put away for emergencies will not be included, unless you have plans for spending any part of your savings.

Only your net wages, or take-home pay, should be considered. Wages and salary may be estimated for a year in advance by considering what they were in the past year and by making any adjustment that you anticipate, such as raises.

Estimating expenditures

There are two kinds of expenditures – fixed payments and variable payments.

Fixed payments

These expenses include large items such as rent or mortgage payments, insurance premiums, real estate taxes, and installment payments. These are expenses which must be paid regularly. If you are not prepared to pay these bills when they come due, you could find yourself in a lot of trouble. It is a good idea to spread out large expenses so that one large payment will not have to be made at one time. For example, to pay a real estate tax which is $240 twice a year, put aside $40 each month and you will easily meet your semi-annual payments when due.

Variable expenses

After fixed expenses have been provided for, and after you have planned a savings program if possible, your next step in planning the use of your income is to consider those expenses that vary from day to day. What must you provide for in this part of your budget? Well, eating is still a big fad in our day, so food is a large expense. However, there are other areas in this part of the budget to be considered, such as clothing, house furnishings, health and personal care, recreation and education, and gifts and contributions. If there is to be any juggling it would have to be in this part of the budget. Those expenses listed under fixed expenses do not change.

Savings

Not everyone preparing a budget will provide for a savings program, but those desiring security and independence will try to save regularly. What is the purpose of saving money? People save for various reasons, such as financial security, vacations, education, travel, clothes, or emergencies. Who can anticipate unexpected expenses and when they might occur? That little nest egg you planned for in your budget could be a lifesaver for you or a family member.

Daily cash record

When you are setting up a budget, you must have an idea of how you spend your money. The most accurate way to determine this is by keeping a record for a period of time of all money received and all money spent. If you keep a daily record for a month, you will have a clear picture of the way your money is spent, and you can draw up a realistic budget that will work for you.

Assets and liabilities

You have heard these two words used often, but what do they mean? Your assets are what you own and your liabilities are your debts. A wise head of a household will determine his net worth by making a chart or a statement of his assets and his liabilities. Then, his net worth is determined by subtracting the total liabilities from the total assets.

Using percentages in budgeting

You will find a knowledge of how to use percents is useful in preparing budgets, figuring interest on loans, and for many other uses in our everyday lives.

At some time during your education in mathematics, you should have studied percentages. But many of you may have forgotten what the word means, while others are a little confused about it. Percent is easier to understand if you remember that is the same as a fraction whose denominator is always 100. The percent sign is %. Percent figures can be expressed as either a common fraction or as a decimal fraction.

Example:

Percent	Common Fraction	Decimal Fraction
3%	3/100	.03
6%	6/100	.06
9%	9/100	.09
15%	15/100	.15

In calculating percent, you change the percent figure to either a common fraction or a decimal fraction.

Example:

4% of $300: $300 x 4/100 = $12, or $300 x .04 = $12.
6% of $250: $250 x 6/100 = $15, or $250 x .06 = $15.

Sometimes it is easiest to convert the percentage to a fraction. The following are some of the fractions most commonly used:

25% = 1/4	33 1/3% = 1/3	20% = 1/5	10% = 1/10
50% = 1/2	66 2/3% = 2/3	40% = 2/5	30% = 3/10
75% = 3/4		60% = 3/5	70% = 7/10
		80% = 4/5	90% = 9/10

Practice Exercises

1. The annual interest earned on $1,800 is 7% at ABC Savings and Loan. Find the amount of interest for a year.
2. A suit regularly sells for $80. It is on sale for 20% off. What is the sale price?
3. The Matthews family budget is based on $12,000 take-home pay. Find the dollars spent on each item.

Food	25%	Housing	30%
Clothing	10%	Transportation	12%
Savings	5%	Local and State Taxes	10%
Insurance	4%	Entertainment	4%

4. George Green agreed to contribute 10% of his weekly pay to the United Fund for 4 weeks. He earns $220 a week. What was the total amount of his contribution?

For Discussion:

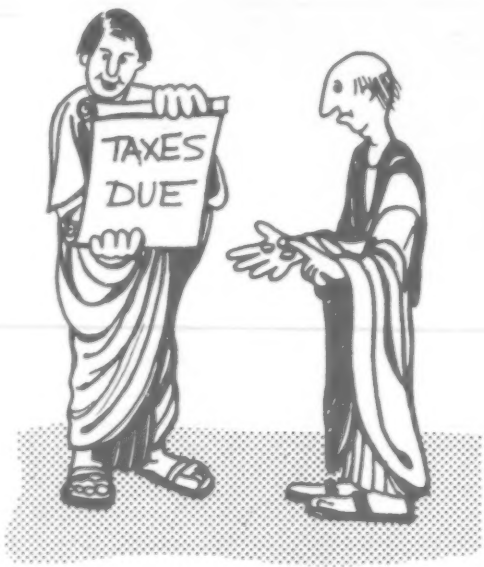
1. What is a budget? Name the parts for a budget and explain each.
2. What is net income? What are deductions?
3. Explain why food and clothing are not required to be the first consideration in preparing a budget.
4. In setting up a budget should the family use the net amount after taxes as the amount for estimating savings and expenditures? Explain.
5. What is the daily cash record and what purpose does it serve?
6. Explain what is meant by assets and liabilities.
7. How does the head of a household determine his net worth?
8. Percent may be expressed in common and decimal fractions. Give the fractions for:
   a. 35%, 3%, 5½%, 94%.

UNIT V

OUR AMERICAN TAX SYSTEM

Lesson 1 — History of Taxation

If you had a regular job last summer or if you work part time now, part of your wages were withheld for income tax purposes. If you work, your income is subject to taxes and probably will be for the remainder of your life. Taxation has become a permanent part of our lives in America.



History of taxation

The books of the Old Testament are filled with references to taxes and tax collectors. Payments then were made in flour, meal, sheep, wine, or oil, rather than coins.

The Greeks and Romans hesitated to levy direct taxes because they did not want to alienate the citizens; however, they did tax conquered provinces. Rome also had poll and inheritance taxes.

The first known taxes in England were land taxes, levied by size of holdings, the beginnings of property taxes based on rental value. A quarrel between Parliament and Charles I climaxed in civil war, mainly over taxes. The new Bill of Rights of 1689 proclaimed that no tax could be levied unless granted by Parliament.

Refusal to extend this privilege to the American colonies is believed to have been a major cause of the American Revolution, and the reason behind the Boston Tea Party. The colonists felt they were being taxed without representation.

The ratification of the United States Constitution in 1789 gave the new Federal government taxing powers.

The Civil War greatly increased the costs of the government. To provide funds, our first Federal income tax was levied. It was used as an emergency measure to finance the Civil War. Many opposed it even while the war was going on. The income tax law was repealed shortly after the Civil War, but in spite of all its criticism, it had been a great assistance for financing a costly war.

Our present Federal income tax became law in 1913, stemming from the sixteenth amendment to the Constitution of the United States.

For Discussion:

1. Discuss the early forms of taxation.

2. How are our taxes different today?

3. When did our Federal income tax begin?

Expenses incurred by governments in providing protection and services must be paid. Therefore, federal, state and local governments must have some plan for raising funds to offset these expenses. Taxation is that plan.

What is taxation? Taxation is the compulsory contribution of money to a government to provide services for the common good. We help pay for these services whether we use them or not.

Primarily, each American pays taxes on three levels of government – federal, state, and local.

1. **Local and State taxation.** Most of the government's expenditures are made for schools, streets, social welfare, and maintenance of a police force and a fire department. Tax rates vary in different towns, and so does the quality of the services provided. The major source of income for local governments is the property tax, a tax levied on real estate. This tax is based on the assessed value of the property.

   Most of the expenditures of the state government are for education, social welfare, and highways. Less important are expenditures for general government, health, protection, debt redemption, economic development, and public utilities. Some states pay a greater part of the cost of public education than others. Recent court decisions in New Jersey and other states are expected to lead to more state involvement in the cost of education in order to equalize educational opportunities in all school districts. Sources of tax revenue for the state government are usually income taxes, sales taxes, license fees, and highway tolls.

2. **Federal taxation.** The United States Constitution gives the government the power to collect taxes. Most of the Federal tax funds are obtained from the Federal personal and corporate income taxes. Other revenue sources are the Federal estate tax, gift tax, excise taxes, and custom duties.

Kinds of taxes

As we have learned, various kinds of taxes are levied and collected by federal, state, and local governments. Let's take a closer look at excise, hidden, property, automobile, social security, and individual income taxes.

Excise taxes

There are many types of excise taxes, either direct or indirect. An excise tax is one that is levied upon specific commodities and services. Tobacco, liquor, and gasoline are some of the items which are taxed. The Federal excise tax on cigarettes is imposed as a direct tax upon the merchant, but he includes it in his selling price. You, the consumer, pay the tax. This is known as "shifting the tax burden." In other words, the cost of the tax is passed on to the buyer.

Some of the excise taxes we pay are:

a. **Air travel tax** – Since the growth of air travel in recent years, the airline ticket tax has been providing more federal revenue.

b. **Alcoholic beverage tax** – The largest excise tax revenue is currently collected on what our government calls "alcohol tax," which include levies on distilled spirits (hard liquors), wines and beer. These taxes are collected from the distillers and brewers, but the amount is passed on to the liquor store owner and is paid by the consumer as part of the purchase price. Americans are among the heaviest drinkers of the world, and all levels of our government have taken advantage of that fact. Besides paying a Federal liquor tax, the consumer is also taxed by the state.

c. **Communication tax** – Prior to America's entry into World War I, Congress enacted an Emergency Revenue Bill which introduced the first telephone and telegraph communication taxes. During the early years of these taxes, they produced more than $400 million, and because of that success they have continued in force. State and local tax on the telephone service overlap. If you check your telephone bill, you will find them listed on it and added to the totals.

d. **Gasoline tax** – Many of the taxes on gasoline are supposed to be direct taxes on the producers or on the distributors, but they are passed on to the customers through an increase in the retail prices. These taxes resemble other taxes that are supposed to be direct, but which in practice become indirect.

e. **Tobacco and cigarette tax** – If you want to smoke, then you must pay the taxes imposed on that pack of cigarettes. Tobacco products, mainly cigarettes, are now taxed in all 50 states. The tobacco tax creates a valuable revenue, amounting to hundreds of millions of dollars annually.

Hidden taxes

Many of the taxes that we pay are actually hidden taxes, because most of us are not aware of the fact that we are paying them. For example, you may pay a sales tax when you buy a new television set. You are aware of paying this tax, but you may not know that other taxes are included in the selling price. The manufacturer has paid social security and other payroll taxes, and no doubt sales taxes on the raw materials that were needed in manufacturing the set. Property taxes were paid on the factory in which the set was manufactured. Also transportation costs have been included in the selling price, and these costs include taxes that the railroad or trucking company has had to pay. And so on and on. Although it is difficult to trace these taxes, hidden taxes are estimated to account for approximately 20 percent of every dollar of retail sales.

Property taxes

A property tax is one levied primarily on real estate, land, or buildings, but in some places, also on personal property, such as car, furniture, and jewelry. Each community establishes its own tax rate. The rate is usually a certain amount of dollars on each $100 of assessed valuation. In many places the assessed valuations are not the true market value. What a homeowner pays in property taxes is determined not only by the tax rate, but also by the way the property is assessed.

In colonial times, a man's total income and wealth may have all been connected with real estate, so the effect of a tax on such property would have been the same as a proportional tax on income. But today, the ability to pay cannot always be measured on the basis of property owned.

Automobile taxes

Besides paying Federal taxes on gasoline and tires, the automobile buyer must pay a Federal manufacturer's tax, the amount depending upon the weight and dimensions of the car. This tax is listed separately by dealers as part of the total cost. Owning an automobile is becoming an expensive investment – a fact which many low-income families and teenage car owners are discovering.

For Discussion:

1. What are the three government levels of taxation? Give examples of each.

2. Name some of the excise taxes we pay.

3. What is meant by *hidden taxes*?

4. Explain how the amount of property tax a homeowner pays is determined.

Computing income tax returns would be simple if all of us paid a flat percentage of our dollar incomes. But we do not. The Federal income tax is a *progressive* tax based on the ability to pay. People with low incomes pay a smaller percentage of their income in taxes than those with higher incomes.

Withholding wages for federal income taxes

Spring used to be an unhappy season for the wage earner. Why would these people be in an unhappy state of mind? You guessed it. It was income tax return time. They used to have to make a lump sum payment for taxes on their last year's income, which had in most cases long been spent.

In 1944, Congress passed the Withholding Tax Law, or "pay as you go plan." Employers must deduct taxes from each employee's paycheck on each payday and send these taxes to the Federal government. The amount withheld depends on the amount of the employee's earnings and the number of dependents the employee has. This system is also used by some states in collecting state income taxes. Each year, before April 15, all persons subject to income tax must file an income tax return with the Federal government.

Who must file a Federal tax return?

Although the Federal income tax applies to both the individual and business firms, we will concern ourselves only with the individual.

Here are examples of individuals who must file a federal income tax return according to the 1975 tax regulations: (1) single adults whose yearly incomes were $2,350 or more; (2) single adults 65 years or older whose yearly incomes were $3,100 or more; (3) married adults with incomes of $3,400 or more, and (4) self-employed people whose yearly net incomes were $400 or more. You should check the current regulations and instructions from the Internal Revenue Service for the year you are filing your tax return. Your instructor should get copies of current tax forms for you to examine.

Form W–4

An employee subject to income tax withholding fills out and returns to his/her employer Form W–4 which indicates the employee's marital status and the number of withholding allowances claimed for dependents.

If you and your spouse both work, you may divide your total allowance in any manner you wish. But you may not claim an allowance also claimed by your spouse.

If you hold two jobs at the same time, and claim all of your withholding allowances on the Form W–4 filed with one employer, you should claim no allowances on the Form W–4 filed with the second employer.

Cash tips are considered income. If you receive tips of $20 or more in a calendar month, you must report to your employer the total tips received, for income and social security tax withholding purposes.

If you had no income tax liability for the past year and expect to have no tax liability for the current year, you may apply for exemption from withholding tax. The exemption applies only to income tax and not to FICA (Social Security) tax.

Form W–2

This is a statement from your employer showing the wages and other compensation paid you and the taxes withheld from your wages. If you worked for more than one employer during the year, you should have a W–2 form from each employer.

The employer sends one copy of this form to the Internal Revenue Service and two copies to the employee. The employee sends one copy with his tax return and keeps one copy for his own records.

How to file individual income tax returns

In recent years, the Internal Revenue Service has tried to simplify the forms used for filing individual income tax returns. One will admit that for many, the system is still complicated. In most cases the Internal Revenue Service will mail you either Form 1040 or short form – Form 1040A with instructions. Those who do not receive copies through the mail may obtain copies from a bank, post office or the nearest Internal Revenue Office.

Which tax form should you use? You may use the short form, Form 1040A, if all your income was from wages, salaries, tips, dividends, and interest, and if you use the standard deduction allowed by the Internal Revenue Service. You should use Form 1040 if you itemize your deductions. Some of the expenses which may be deducted are: state and local taxes, interest paid on loans and installment contracts, contributions to churches and charities, and medical expenses if they are more than a certain percentage of your income.

If the amount of tax your employer has withheld is more than the actual amount owed, then the government will mail you a refund check. If not enough tax has been withheld, then you must pay the difference to the Internal Revenue Service.

For Discussion:

1. Why is the Federal income tax a *progressive tax*?

2. How does the tax withholding system work?

3. How do you go about filing a Federal income tax return?

SO, HOW DO YOU GET A SKILL?
MAN, YOU LEARN IT!
...LIKE SHOOTING BASKETS
...LIKE DANCING
YEAH YEAH
LOOK AT IT THIS WAY!
SUPPOSE YOU MAKE A LITTLE LESS NOW WHILE LEARNING A SKILL
...IN ORDER TO MAKE MORE WHEN YOU HAVE A SKILL LATER
WE NEED A SKILLED MAN... TAKE THIS LEARNER JOB.
IT PAYS LESS THAN SWEEPING.
NOW!
LATER!

UNIT VI

PLANNING YOUR FUTURE

Lesson 1 **Living and Working in our Economy**

When should you start thinking about your life work? Preparing for the future is a gradual process which has been taking place since you entered the first grade. We are not talking about the training you have received in reading, writing, or arithmetic. We are concerned with the glimpses of professions, occupations, and business you have obtained. Take a closer look into your future. Your high school days may not be the end of your education, as many of you may go on to college or to technical schools. Some of you may enter the military services and others will seek employment.

It might be a wise decision for you to take stock of yourself. Just what sort of person are you? What do you like to do? Do you do well in your studies? Which subjects do you like? Are you punctual, and what kind of attendance record do you have? What are your working motives?

Working motives

Perhaps the word "work" has meant nothing to you in the past. You have had your food, clothing, shelter, and spending money provided for you. This is the last year of formal education for many of you, but what lies ahead? If you were asked the question "Why do we work?" you might consider it quite foolish, because it is obvious that we work to supply the necessities of life. However, we find that there are other reasons for working.

a. **Personal satisfaction** – A person who enjoys his work has the energy and initiative to do his job well. He is not bored with it, and his efforts give him satisfaction. A craftsman is proud of the product he has made or of the skillful repair he has performed. In this complicated business world of ours, workers are sometimes a very small part of a large organization. However, each can gain satisfaction from knowing that he has contributed to the economic success of the firm.

b. **Recognition** – Everyone needs recognition, and this is something we can get from working. Recognition on the job takes such forms as praise from supervisors, promotions, salary raises, and certificates of merit.

c. **To be of service to others** – In this category are those people who perform a service for others. Teachers, religious leaders, social workers, and nurses are some of the people that serve others.

HEY, MAN, YOU PRETTY COOL! YOU FROM AROUND HERE?
USED TO LIVE ON THIS BLOCK... LIKE YOU... NOT SO LONG AGO. GOT IT MADE NOW...
ERSON'S
EATS
LEARNED A SKILL AND GOT A GOOD JOB. I EARN GOOD MONEY, AND I'VE GOT RESPECT!!
HONK
READY, HON?
THERE'S THE MRS.! WE'RE ON A VACATION TRIP... REAL BALL! WELL, SEE YOU AROUND! MORE POWER TO YOU!
MAKE YOUR OWN POWER
AND MAKE IT
GREEN

d. **For security** – Eventually you will reach the age when your earning power will either decrease or stop. You should make plans for independent old age. Social security pensions are not enough. People in America are living longer, so the period of retirement is longer. Elderly people, like anyone else, prefer to be independent, to live where they want and go where they please and above all, to do as they please. In order to do this, they must have sufficient income to be self supporting.

Planning your career

Did you know that there are thousands of different kinds of jobs in the world? Every day new ideas create more new jobs. Before you choose an occupation, you should know something about the kinds of jobs you can choose from. There are five general kinds of jobs: unskilled, lightly skilled, specially skilled, skilled, and professional.

Strength is needed for most *unskilled* jobs. The unskilled worker should be a person who does not get tired easily. Building laborers, warehousemen, longshoremen, truck drivers' helpers, janitors, and household workers are unskilled jobs. For the *lightly skilled* jobs, you need some training. You are usually trained on the job. Office machine operators, gasoline station attendants, sales clerks, receptionists, waitresses, and truck drivers are lightly skilled occupations.

Specially skilled occupations require some special ability or knowledge. You usually go to a school especially established for these skills. Some specially skilled occupations are barbers, detectives, stenographers, and photographers. Much training is required for the *skilled* occupations. For some of these jobs you must have a high school education, while in others, you need a college education or technical training.

For Discussion:

1. Name and discuss 4 reasons for working besides earning enough money to buy the things we need.

2. Which of these reasons is most important to you?

3. What are the differences in training requirements for the following kinds of jobs: unskilled, lightly skilled, specially skilled, skilled, and professional?

Why you must know yourself

Before you can know yourself, you have to be yourself. The trouble is most of us try to be somebody else. Take your home, for example. Does your kid brother like to pretend he is the most popular gunslinger on television? You, too, may have had idols that you tried to be like. Perhaps you try to be like the most popular person at your school.

Try to be yourself. Being yourself does not mean following every mood and whim that enters your head. It means that you must decide things thoughtfully for yourself, so that you do not blindly follow the crowd. Many parents want their children to follow in their footsteps – go to the same schools and enter the same career. Sometimes this is the right things to do and sometimes it is not. You must know yourself to make wise decisions.

What do you really want to do?

Practically everyone begins with an immediate want. It may be the want of an athlete to run the mile faster than anyone else. Or it may be the desire of an attractive girl to buy a new gown for a prom. Suppose these people are granted their wishes. After the runner has set a record and the attractive girl has become the "belle of the ball," each would want something else, and after that something else.

Most people move from one want to another without ever realizing that what they really wish for is something more basic. A much more fundamental and basic want is to follow one's interest. You can only do this by preparing yourself for work for which you are best fitted and which you most want to do.

What kind of work would you enjoy?

Perhaps you have heard people say, "If I had known then what I know now, I would have taken such-and-such work." At this stage of your life, nobody expects you to have had many occupational experiences, but you do have an opportunity now to learn something about different occupations. You may learn from books, films, school projects, or visits to a factory or office.

When opportunities like this take place, what captures your attention and interest? The scientific or technical aspects may appeal to you; or the idea of working inside an office because your interests lie in the areas of management. If you become aware of your interests, you will begin to find out what sort of work you like to do.

What are you looking for?

There are some people who judge success entirely in terms of money. Usually they are the ones who are willing to take great risks and make sacrifices for personal gains. Others are more interested in job security. They are often found in government jobs or in a secure job in a large corporation. There are others who are more interested in prestige than in high salaries. They are satisfied with the publicity, title, or respect that goes along with certain positions. The type of success that you should seek will depend on what you are looking for in your career.

Do you have the ability to do the work?

Be completely honest with yourself in answering this question. Select a job that will challenge your mental ability, but not one that requires an ability you do not possess. If the job requirements are too simple, the job will soon become routine and boring.

Perhaps you had better take a good look at your school grades for an indication of what you can do. Did you work hard to get by, or did you get good grades easily in tough academic subjects when you studied? If you are in the former group you may have a mind that would do better in some field other than the professions. By struggling, you have learned the value of persistence and can stick to a task. You might do well in shop. If you are in the latter group, you are fortunate if you have learned good habits of study and work. You will have to concentrate if you are to succeed in any profession.

What sort of personality do you have?

What is meant when you say, "She has a pleasing personality?" There is no easy way to define the word "personality." Personality consists of those qualities that make an impression upon others. This impression is based largely on three qualities: appearance, voice, and behavior. These impressions may be favorable or unfavorable. You should attempt to eliminate those qualities that make unfavorable impressions and strengthen those that create favorable impressions.

Impressions are influenced by your appearance – your clothes, your posture, and your grooming. Do you wear clothes appropriate for the occasion? Are they clean and pressed? How do you stand and walk?

With the increased use of telephones, television, radio, and public address systems, we have become more conscious of voice and speech. A pleasing voice is an asset on the job and in personal life. A key requirement in most occupations today is being able to communicate. You must be able to express yourself. You can cultivate a good voice, but it is of little value if you are careless in the use of language.

Although attractive appearances and pleasant voices bring about favorable impressions, such impressions can be erased by improper behavior. The following qualities are especially important.

1. **Be honest** – Nobody can be considered completely honest if he is honest in most things, but dishonest in little things that he believes may not harm anyone.
2. **Be cooperative** – A football team would get nowhere without the cooperation of all eleven players. You may find a few jobs where one person can do everything by himself, but teamwork is usually the key to success in the office, in the store, or in the factory, as well as in sports.
3. **Be dependable** – Do you keep promises? Are you punctual for classes and engagements or are you constantly tardy? Do you finish the jobs that you agreed to do? What do you do if you cannot keep appointments?
4. **Be thoughtful** – Are you considerate of other people's feelings? Try to help those less fortunate than yourself. Show interest in the activities of others and congratulate them on their achievements. Be a good loser and avoid being involved in idle gossip. Your problems are enough for you to handle without being involved with those of others.
5. **Use good manners** – Good manners always add to your business success and social popularity. Knowing what to do and how to do things right makes you feel at ease and avoids embarrassment.

Your personality is your complete self – your physical being, your grooming, clothing, cleanliness, speech, and behavior. You are in complete command of these qualities, and only you can decide to become the kind of personality you want to be. Remember that while you are young you can change many of your personal qualities. Undesirable habits can be corrected, new interests can be developed, and mistakes can be remedied.

For Discussion:

1. How can you learn about different occupations?

2. What things should you consider when deciding what kind of work you want to do?

3. What are some characteristics that make a good impression on others?

Try to get some work experience

While you are in school, part-time and vacation jobs will provide valuable experience as well as needed money to help pay for school and living expenses. Whenever possible, seek employment that is related to the kind of work you may want to do in the future.

Check with your guidance counselor to determine whether or not there is a placement service, a work experience program, or a cooperative occupational training program offered. If so, the school will help you find employment that meets your vocational interests and your career objectives. Sometimes it will not be possible to obtain part-time employment directly in the field you have chosen as a career. All employment can give you valuable experiences, as you can develop poise and confidence in meeting people and facing new situations.

How to look for a job

The job market is very competitive, as you compete with others to sell your services. This makes taking inventory of yourself very important. List your skills and experiences; determine your good points in personality, speech, dress, and habits. Make a plan to seek employment that is in your line of interests and abilities.

Do not be satisfied with taking the first job that comes along. Look for the best available job by taking advantage of the sourcesof help indicated below:

1. Let your counselors and teachers know of your job needs.
2. Register with public and private employment offices.
3. Tell friends about your desire for work. They may know of some vacancies.
4. Select a number of places you would like to work and apply in person.
5. Study the "help wanted" columns in your local newspapers and follow up quickly those of interest to you. You may advertise yourself.
6. Look for information about apprenticeships, job placement services, union membership requirements, and the job market.
7. Check your city hall, county seat, and post office for information about job vacancies, qualifications, and examinations that are given for government work.

Public employment agencies are nonprofit agencies that charge no fees, or very small ones, and are usually operated by schools, unions, and organizations such as the Urban League, YMCA, or YWCA.

HOW TO LOOK FOR A JOB

NEW JOBS ARE OPENING UP ALL THE TIME...THE THING IS TO FIND OUT **WHERE** THE JOBS ARE... AND HOW TO MAKE **CONTACT!**

1. LOOKING ON YOUR OWN

READ THE WANT ADS... YOU CAN EVEN PUT IN AN AD YOURSELF.

I SAW THE JOB POSTED ON THE SCHOOL BULLETIN BOARD, SIR...

YOU CAN CALL DIRECTLY ON COMPANIES OR GOVERNMENT DEPARTMENTS.

HEY, IS THE POST OFFICE GOVERNMENT OR BIG BUSINESS?

NO MATTER

IF YOU APPLY BY LETTER, KEEP IT BUSINESSLIKE AND SHORT... ASK A SKILLED PERSON TO HELP YOU...

MY WRITING IS PRETTY SLOPPY!

I'LL TYPE IT FOR YOU...SO IT'LL MAKE A GOOD IMPRESSION.

PERSONS WITH PARTICULAR SKILLS CAN *CREATE* JOBS.

LET'S START OUR OWN COMPANY! WE'RE GOOD MECHANICALLY!

WE'LL NEED SOME CAPITAL TO START WITH.

TOWNE SHARPENING SERV

AND WHERE DO I GO?
YOU'VE GOT 2 BASIC WAYS OF TAKING ACTION:
1 GO OUT AND LOOK ON YOUR OWN OR CREATE A JOB YOURSELF.
2 GET PROFESSIONAL HELP FROM AN EMPLOYMENT AGENCY.
2. USING EMPLOYMENT AGENCIES
WHAT'S THE ADVANTAGE OF USING AN AGENCY?
THEY WORK FOR YOU!!
THE EMPLOYMENT AGENCY GUIDES YOU, ADVISES YOU, AND HELPS YOU LAND THAT JOB... YOU GET PROFESSIONAL HELP.
THE REPUTABLE AGENCY HAS A GOOD STANDING IN THE COMMUNITY.. IT IS WELL KNOWN TO EMPLOYERS!
WHAT DO AGENCIES DO FOR ME?
AS YOUR REPRESENTATIVE THEY GET ON TOP OF THE JOB MARKET FOR YOU--LIKE FINDING WHERE THE JOBS ARE... WHO NEEDS WHAT AND HOW MUCH EACH SKILL PAYS.
AND THEN THEY SORT OF SELL ME, RIGHT?

Private employment services are in business to make a profit, and they charge a fee for their services. For some jobs, the employer will pay the fee for the job-seeker if he is hired, but usually it is the job-seeker who must pay. The fee is usually a percentage of the salary earned for the first month or several months. A check should be made with the Better Business Bureau or the Chamber of Commerce before using some employment agencies because not all of them are trustworthy.

How to apply for a job

Whenever an employer has a job to fill, he usually must select the best person for the job from a number of applicants. Screening of applicants in large businesses is done by a personnel director.

Hiring procedures differ with different employers. However, common hiring procedures include the use of application blanks, tests, letters of application, resumes, and interviews.

Application blanks

The purpose of an application blank is to secure information about an applicant for a position. Most application blanks require the individual to give his name, age, address, list of references, and other information about education, previous employment, or other qualifications. This information is used by the employer to decide if an applicant is worthy of further consideration for employment.

Fill in the sample application blanks on the following pages.

TODAY'S DATE

MONTH.....

DAY.....

YEAR.....

Form 248

EMPLOYMENT APPLICATION

Name In Full ..... Phone .....

Address ..... (If R.F.D. or P.O. Box, Give Street or Road Name)

Social Security # ..... Number of Dependents ..... (Include self)

Married ☐ Single ☐ Date of Birth: Month ..... Day ..... Year .....

Birth Place ..... Citizen ☐ Naturalized ☐ When Naturalized .....

In Case of Accident—Notify { Name ..... Date Entered U. S. .....
Address .....

EDUCATION

Elementary	Yrs.
High School	Yrs.
College	Yrs.
Correspondence	☐
Eve. or Bus. School	☐
Other	

Height ..... Feet ..... Inches

Weight ..... Lbs.

Color of Hair ..... Color of Eyes .....

Physical Handicap .....

Glasses — Yes ☐ No ☐

Relatives Working Here?

Give Names .....

.....

PREVIOUS EMPLOYERS

	POSITION	FROM — TO		REASON LEFT	WAGES
1					
2					
3					
4					

(The Above Must Cover a Period of 5 Years or More)
(Also Service Record, if any.)

References: ..... Address .....

..... Address .....

..... Address .....

Signature of Applicant

Interviewed by: .....

.....

APPLICATION FOR EMPLOYMENT

Social Security No. _____ Date _____ 19____

Name of Applicant _____
(Last Name) First Name Middle Name

Present Address _____
Street and No. City or Town State

Telephone No. _____ If None give nearest Phone _____

In whose home and address (_____

(_____

Date of Birth _____ Place of Birth _____

Weight _____ Height _____ _____ _____
Years in State In What County

Citizen of what country _____ _____ _____
First Papers Second Papers

Married _____ Single _____ Widow (er) _____ Divorce _____ Separated _____

No. Children _____ No. of other dependents _____

Education _____

Home Life: Owns _____ Buying _____ Rents _____ Boards _____ With Parents _____ Yes _____ No

Trade (if any) _____ Union _____ Independent _____

Kind of work desired _____

Qualification or Experience _____

Alternate Occupations _____

Are you related to any Director, Officer or Employee of this Company or any of its Affiliated Companies? _____
(If So, Give Details)

Have you had any serious illness or injury within the past five years _____

(If so, give full details) _____

Have you any physical Defects or infirmities? _____
(If So, Give Details)

Are you willing to submit to a regular physical examination by this Company's Physician if required to to do so _____

Have you ever, or are you now receiving from a former employer compensation in any form for partial disability _____

Date Employed _____ Dept. _____ As _____

Name and Address of Present Employer _____

_____

Date of Employment From _____ To _____

Reason for desiring change _____

PREVIOUS EMPLOYERS

	FROM	TO	NAME & ADDRESS OF EMPLOYER	POSITION	RATE OF PAY	REASON FOR LEAVING
1.						
2.						
3.						
4.						

Remarks _____

_____ _____

(Father's Full Name) (Mother's Full Maiden Name)

If registered with U. S. Employment Service, give No. of registration card _____

In case of Serious Illness or Accident Notify—Name _____

_____

Address Phone Relative or Friend

Relatives or Friends Employed Here _____

Which

Relatives or Friends Employed Here _____

Which

Name of beneficiary or beneficiaries _____ Age _____

Last Name First Middle

Address of beneficiary or beneficaries _____

Street City State

Relationship of beneficiary or Beneficiaries to undersigned employee _____

In consideration of my employment, I agree that if at any time I shall make claim against the Company for personal injuries, I will submit to examination by a physician or physicians of the Company's selection, as often as may be requested, and upon refusal or failure to do so, the claim shall be deemed waived, or if legal action has been taken by me, the same shall abate.

If the company carries or shall carry insurance under an employee's compensation law, I agree in case of injury, to accept said insurance and waive all action for damages.

I hereby certify that the above questions have been answered by me to the best of my knowledge and belief.

_____ _____

Recommended by Name of Applicant

Tests

Tests are frequently used by businesses, government departments, and employment agencies to measure special skills required on certain jobs, such as typing and shorthand. Other types of tests are used to measure an applicant's interest in an occupation, his personality, or his aptitudes. The use of these aptitude tests has declined in recent years. People generally do not like to take such tests, and the validity of the results is questionable.

Letters of application

Letters of application usually include such information as a person's age, education, work experience, list of references, and special qualifications for the job. In some cases emphasis is placed on how carefully the letter is prepared. A carelessly written letter may cause the employer to judge the applicant as a careless worker. Your letter will usually compete with others; it is your representative. Take a look at the sample letter of application for the proper format.

For Discussion:

1. Name at least four possible sources of help when you are looking for a job.

2. What is an employment agency?

3. What information is usually included in a letter of application?

4. Compose a letter of application for a job which you think might be of interest to you.

SAMPLE

24 Prosper Street
New Brunswick, N.J. 08901
January 16, 19___

Personnel Manager
Industrial Electronics
New Brunswick, N.J. 08903

Dear Sir:

This letter is in reply to your ad in Wednesday's paper asking for an experienced salesman of electrical supplies and equipment.

I have been in the selling business for the past six years. Before I was employed at my first job I went to New Brunswick High School for two and one-half years, and then transferred to Middlesex County Vocational and Technical High School. At the latter school I took a course in Industrial Electricity. Because of this, I feel I know what I am selling. After attending high school I also took a two-year course in salesmanship, which I completed very satisfactorily.

I am 25 years old, single, and am free to travel. I intend to make selling my career, for as you can see I've been in the selling business for a good number of years and like my work.

I am using the following people as references:

Dr. Joseph F. Frank
175 Livingston Avenue
New Brunswick, N. J.

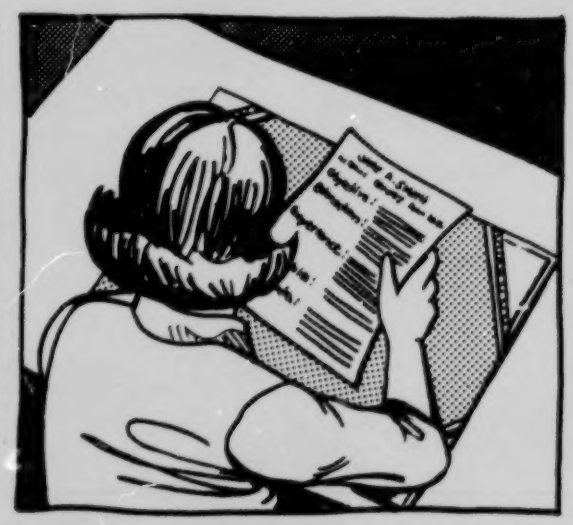
New Brunswick Electric Supply Co.
30 George Street
New Brunswick, N. J.

My phone number is 257-3831. I would appreciate an interview at your convenience.

Yours truly,

Alex Simpson

Alex Simpson



What is a resume? The resume is a brief summary of your background which is supposed to create a desire on the part of a firm or individual to want to see you personally. However, an effective resume plays a greater role. Even after you have been interviewed, the chances are that your resume will be read again, by the individual who saw you as well as by other people in the organization. A good resume will keep selling you throughout the interview and negotiation process.

Importance of a good resume

In writing your resume, try to be brief, but do not omit important or essential information. Most personnel managers prefer one or two pages for resumes. The length of yours will depend on your particular situation. The number of copies needed will depend on the position you are seeking.

Your background, education, and experience determine the order in your resume. Highlight the factors that are particularly relevant to the job. Your resume should be easy to read. Remember that a personnel manager probably reads resumes for hour after hour each day, and if yours is concise and correct you will stand a better chance of having your message remembered.

Grammar in the resume is choppy, and sentences are incomplete. Of course, you can only use this style of writing in resumes and never in the formal letter of introduction or application. The sample resume is to be used only as a guide. You will individualize it according to your particular needs. If you follow it for general style, form, and content, you should produce a well-written resume.

Try to avoid having your resume look dull and uninteresting. Develop a resume that is alive and interesting; and above all, that sells you to the reader without him being aware of the sale.

Selection of data

Include all the facts you need to cover the necessary information. Organize and present your data as briefly and clearly as you can to take full advantage of the suggested resume patterns. Pretend you are the personnel manager who has to read many resumes

and interview many applicants daily; you will find brevity and clearness are important. Be careful not to tell a better story than the actual facts warrant, one you could not support in face-to-face discussion of your qualifications. Avoid the temptations of trying to make your resume do more for you than it can.

Format and paper size

1. Name and address: – Start by writing your name and address and telephone number as shown in the samples. Let your name stand out by leaving spaces between your name and address.
2. Occupational objective: – This should be a clearly worded statement of what you are looking for in a job. It is important that you express yourself exactly here, or you might find yourself in a position which, although it fits your qualifications, does not satisfy your abilities. You may find yourself pointed in the wrong direction. Your overall objective may be generally stated, but the specific points in which you are interested must be stated precisely.
3. Education: – Detailed information about your education is useful and important. Begin with your most advanced grade. Though you may not possess a college degree, list the various schools you have attended, as well as courses of study and any special training.
4. Experience: – List your former positions and give as much information as possible about your qualifications and length of time in those positions. List as "primary gains" valuable experiences achieved from your training or previous work.
5. Personal data: – The general tendency is to give personal data on the line after the name and address. Some personnel managers find that standard information (marital status, height, weight, health and appearance) limits their knowledge of you. Many prefer more extensive facts at the end of the resume, while others pass over these data because they attach more importance to your experience, education, and capabilities. Where you place this information is optional; but it is recommended that you place it at the end.

RESUME FORMAT

NAME

Address (Street) Telephone Number & Area Code City & State, Zip

Objective	Write your goal for the future and include how the position you are looking for with this company or industry fits into your goal.
Education	Include all formal education and special training that you have had, particularly any training that might help you in the position you are applying for.
Practical Experience	List all jobs that you have had, beginning with your last job and working back. Include the dates of all jobs.
Other facts	Tell of your community activities, hobbies, speaking abilities, and any other things that might make the employer think favorably of you.
Personal data	Birth date . . . Marital status, number of children . . . height . . . weight . . . condition of health.

Jane A. Smith

12 Edgewood Road 201–765-1234 Smalltown, New Jersey 02345

Objective	Position as beautician in a beauty salon. Future goal is owner or manager of a beauty salon.
Education	Graduated 1974 Burlington County Vocational-Technical High School, Mount Holly, New Jersey. Took Hairdressing course and related courses. Passed State examination.
Experience	June 1975 – Dec. 1976 Betty's Beauty Salon, Smalltown, N.J. Beautician Jan. – June 1974 Charm Beauty Salon, Smalltown, N.J. Part-time job as shampoo girl and receptionist.
Hobbies	Sewing, bowling
Community	Member of Rescue Squad, Smalltown. Solicit contributions for Heart Fund and March of Dimes. Teach Sunday School at Reformed Church, Middletown, N. J.
Personal data	Birth date – September 24, 1956 Marital status – Single Height – 5'5" Weight – 118 lbs. Health – Excellent

What to avoid in a resume

1. Never send a carbon copy of your resume to an employer.
2. Never use abbreviations, especially the term "etc." Anything important enough to be stated should be spelled out.
3. Do not go into much detail about work below your top level of employment.
4. It is best not to state the salary you desire. Some authorities suggest you find out about the company's level of salary before your interview. Save your discussion of salary for the interview. A high salary asked on your resume may harm your chances of getting an interview at all.
5. Do not limit yourself to area, salary, or position desired without considering which of these is the most important to you; or if any are more important than a chance for advancement. Make a decision on which of these you would be willing to sacrifice.
6. Know beforehand whether you will accept a stepdown in authority and responsibility. Do not expect to start at or near the top. In business, time is needed to prove your ability, and no matter how good you are or think you are, you just do not start at the top. Remember, you will only be paid for what you can contribute.

The length of a resume

There are no definite rules on the length of your resume. If your history is short because your education or experience is limited, one page is sufficient. When you have a lengthy history of background and experience, you can use either two or three pages, but never more than three. Remember – employers seldom have time to read more than three pages, and if you write more, they might miss something important while trying to cover all that you have included.

In short, your resume should be long enough to tell the employer all that he should know, but short enough to avoid all trivia. Use this suggestion as a rule of thumb: one page for applicants with little experience, such as recent high school or college graduates; two pages for applicants with up to ten years experience; and three pages for professional people and executives with long years of experience.

For Discussion:

1. What is the importance of a good resume?

2. What information is included in a resume?

3. What determines the length of your resume? Do you think that the longer it is, the better impression it will make?

4. Using the format shown on page 115 make out a resume for yourself.

THE INTERVIEW...
GOSH, THEY'LL NEVER HIRE ME!
LISTEN, I'M A HOT PROPERTY! I'LL INTERVIEW THEM!
UH OH... SUPPOSE I GOOF!
COOL IT! THE INTERVIEW IS THE MOST IMPORTANT STEP IN GETTING THE JOB!

COME ON WITH CONFIDENCE
(WITHOUT BEING ARROGANT)

I'M SURE I CAN LEARN QUICKLY .. I WAS A GOOD STUDENT!
...YES SIR, THE JOB AS YOU DESCRIBE IT IS VERY CLEAR TO ME AND I'M CONFIDENT I CAN DO IT!

SELL YOURSELF
(WITHOUT EXAGGERATING)

I'VE HAD A GOOD RECORD IN MATH-- BUT I WAS BETTER AT LITERATURE.
WELL, SIR, I WORKED WEEK ENDS DELIVERING GROCERIES TO MAKE EXTRA MONEY FOR SOME SPORT EQUIPMENT.

The personal interview may be your most important application of oral communication, for your career may depend upon your success in selling yourself during this interview. The employment interview is also one of the best examples of total communication, because it is in the interview that the job applicant reveals whether or not he possesses the communication skills required in the position for which he is applying.

Preparing for the interview

The employment interview can be one of the most important events in a person's experience, because the 20 or 30 minutes spent with the interviewer may determine the entire future course of one's life.

Interviewers are amazed at the number of applicants who drift into job interviews without any apparent preparation and with only the vaguest idea of what they are going to say. Their manner says, "Well, here we are." And often that is the end of it in more ways than one. Others, even though they may not intend to do so, create an impression of indifference by acting too casually. At the other extreme, a few applicants work themselves into such a state of mind that when they arrive they seem to be in the last stages of nervous fright and are only able to answer in monosyllables.

You can avoid these marks of inexperience by knowing a little of what actually is expected of you and by making a few simple preparations before the interview.

The time and place

Find out the exact place and time of the interview. This may sound too basic to mention, but it is an unfortunate applicant who assumes that the interview is to be held in a certain place and then discovers at the last minute that the interview is somewhere else. Do not leave it to your memory; write the time and the full name and address of the company down and keep the notation with you. Be sure to have your interviewer's full name, and find out how to pronounce it if it looks difficult. Above all, be sure to be on time, because late arrival for a job interview is almost never considered excusable.

Research

Do some research on the company interviewing you. It will be helpful to know what its products or services are, where its plants are, where any other offices or stores are located, what its growth has been, and how its prospects look for the future. Think about questions that you might wish to ask before you go to the interview. Take a pencil and some note paper with you. Keep them out of sight unless you are asked to take something down. You also should take a few notes mentally and jot them down on your note paper immediately after you leave the interview.

HOW TO GET THE JOB

HERE'S THE PROSPECT YOU'RE TO CALL ON... FIRST IMPRESSIONS COUNT ON HIM! MAKE SURE YOU'RE ON TIME!
AND HERE ARE SOME TIPS—
"PACKAGE YOURSELF"
CLEAN CLOTHES
CLEAN FINGER-NAILS
CLEAN YOU!
SHOES NEAT
WOULDN'T PLENTY OF MAKEUP MAKE ME LOOK MORE MATURE?
NO! LOOK NATURAL!
HAIR NEAT
SIMPLE JEWELRY
PERFUME? MINIMUM! IT MIGHT OFFEND!
TOO MUCH HAIR.. BEARD... TOO FAR OUT... APPAREL... COULD RULE YOU OUT!
THIS MIGHT BE A CONSERVATIVE COMPANY... I BETTER KEEP IT DOWN FOR NOW!
GO TO BED EARLY THE NIGHT BEFORE...SO YOU DON'T SHOW UP LIKE A DISASTER!
GOOD MORNING! I HAVE AN APPOINTMENT!
BE ON TIME!

DURING AN INTERVIEW, WHAT THE EMPLOYER LOOKS FOR:

UNDERNEATH ALL THAT – I WONDER WHAT HER REAL PERSONALITY IS LIKE??
IS THIS KID REALLY SOMEONE WHO'LL WILLINGLY START AT THE BOTTOM?
WILL HE TAKE PRESSURE?
WHAT ARE THE FRINGE BENEFITS LIKE? IS THE STEAM RADIATOR TOO CLOSE? I LIVE 20 MILES AWAY. CAN I LEAVE EARLY?
WILL SHE BE INTERESTED IN US?
DOES HE FIT INTO THE ORGANIZATION?
WILL SHE GET ALONG WITH THE OTHERS?
CAN I COUNT ON HER?
CAN HE DO THE JOB?

Personal appearance

The essentials of neatness and cleanliness when appearing for an interview scarcely need be mentioned. The clothing you wear to the interview should be neat, clean, comfortable, and appropriate. Remember, you are job hunting and not going to a party. As the interviewer talks to you, he will notice such details as nails, teeth, make-up, and hair. A full eight hours of sleep the night before will contribute to your fresh, alert appearance. In simple terms, any detail of appearance and dress that attracts unfavorable attention will count against you. A trained interviewer knows that there is a direct relationship between personal habits and work habits – sloppy appearance, sloppy work; neat appearance, neat work.

You can rehearse your role for a play, but you cannot rehearse your role in an upcoming interview because you do not know what cues will be given to you. Your best guide is to rely on your own courtesy and good sense. The following are a few tips which may help you:

Relax

It is normal for people to be nervous during an interview. Experienced interviewers expect a certain amount of nervousness, but try to avoid doing things which might make your nervousness more obvious. If you do not know where to put your hands, leave them in your lap and keep them still. The interviewer is there to hire people, not to trip them up or embarrass them.

Your manners

Good manners are often taken for granted, but any lapse or omission is noticed immediately. Practice common courtesy and etiquette.

1. **Be on time** – Not only is it rude to be tardy for an appointment but it may make the interviewer wonder whether you as an employee would also be late to work often. He might also conclude that you do not really want the job since you are late. Rushing to arrive on time will leave you breathless, so get an early start, to allow time for unexpected delays.
2. **Meet the unexpected with poise, tact, and humor** – If the interviewer is not ready to see you, take a seat and occupy yourself while you are waiting. Never make the mistake of saying, "But Mr. Jones told me that he would see me at nine o'clock."

3. **Follow the lead of the interviewer** – Remember, you are his guest. Shake hands if he offers to do so, and grasp his hand firmly. A limp handshake indicates weakness. Wait for an invitation before seating yourself. It is the host's privilege to seat you where and when he wishes.
4. **Exhibit tact and graciousness in your conversation** – Listen carefully. Do not interrupt, even if the interviewer is long-winded and you think of something you wish to tell him right away. Follow his conversation leads and show him that you understand the implications of what he says. Do not bore him with long nonsense conversations.

Equal employment rights

Federal and state laws state that a person cannot be denied employment because of race, religion, color, or national origin. Federal law and some state laws also prohibit discrimination because of sex. If you think you have been discriminated against for any of these reasons, you should contact the Equal Employment Opportunity Office in Washington or your state Division on Civil Rights.

For Discussion:

1. What preparations should you make for a personal interview?

2. Why is your personal appearance important?

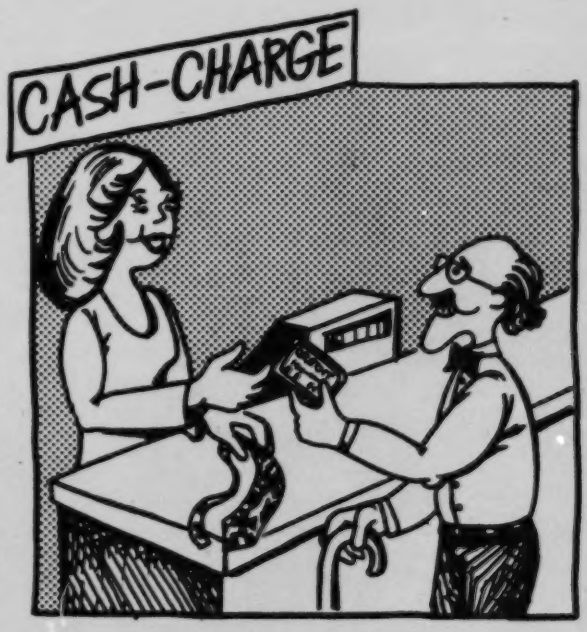
3. Name some rules for good manners during an interview.

UNIT VII

USING CREDIT WISELY

Lesson 1 — Kinds of Credit Available

The majority of business in the United States is done on the basis of trust. Consumers find it convenient to buy on credit, and many firms find it profitable to provide it. Credit is so popular today that some firms would be forced out of business if they did not offer credit service. Businessmen themselves frequently borrow money with which to buy goods and services in order to offer credit to their own customers. It is quite common for the retailer to buy on credit from the wholesaler and for the wholesaler to buy on credit from the manufacturer. Credit, then, is very important to us and has become a major part of the American way of life.



Consumer credit

The term refers to debts for goods and services for personal and family use that are paid within five years or less. This type of credit is used to satisfy our personal needs and wants. Consumer credit usually involves smaller sums than the credit used by businesses.

Consumer credit is more widely used today than ever before. There are many forms of credit. Consumers use gas and electricity in their homes and are later billed for the amount they use. This is a form of credit. Imagine the inconvenience of paying every day for the gas and electricity used, to say nothing of the cost to the utility companies. People also obtain credit from milk companies and from the boy who delivers the daily newspaper. One of the most widely-used forms of credit is the charge account at retail stores. Practically everyone uses some kind of credit. In fact, new forms of credit are constantly being devised.

During recent years, merchants, banks, and other credit institutions have come to recognize the fact that, when the economy is sound, it is profitable to extend consumer credit. Some estimates indicate that two-thirds of all Americans have had occasion to use credit in one of its many forms.

Our economy is based on the exchange of money. Most people are dependent on a cash income. If a person's supply of money is cut off for a short time, he finds it difficult to get food and shelter and the other necessities of life. When we encounter financial difficulties, credit becomes a necessity.

However, many people do not use credit only in emergencies. Our modern technology has made more goods available to more people than ever before. Items such as automobiles, refrigerators, and television sets are too expensive to be paid for out of one paycheck, so many consumers, counting on future paychecks, borrow money or take out installment contracts in order to enjoy the many goods and services that are available to them. "Buy now, pay later" has become a common way to acquire the things we want and need. Merchants are willing to wait for the cash payment when the economy is sound and there is plenty of cash in circulation.

Types and sources of consumer credit

A consumer can obtain credit in many different ways. Many stores will transfer title to goods in return for a promise to pay the full purchase price at a later date. At other times, a consumer agrees to pay part of the purchase price each month until the total purchase price and carrying charges have been paid. Some people will borrow money from a finance company and pay the store cash.

Open-account credit

Merchandise is sold by many businesses on open account or charge account. When you make a purchase, you simply say, "Charge it, please." Title to the goods passes to you immediately, and the store accepts your promise to pay at a later date. No notes, written contracts, or other written obligations to pay are involved in open-account credit. However, you are required to sign the sales slip to indicate that you have purchased the merchandise.

You will be sent a bill once a month. The trend among department stores today is to allow thirty days in which to pay bills. Generally there is no special charge for this credit service, but a charge will be added if the customer does not pay within the period allowed for payment.

Open-account credit is granted not only by retail stores, but sometimes by doctors, dentists, television repair firms, plumbers, and other professional people and service firms. Charge accounts are an informal kind of credit, scarcely more than a "gentleman's agreement," depending mostly on the businessman's confidence in his customers. An honorable person will live up to the agreement and keep his credit standing good.

Revolving credit accounts

Many stores have introduced a type of charge account that offers limited credit to the consumer. Under this system, the maximum amount that may be owed to the store at any one time is determined at the time the account is opened. For example, if your specified credit level is $120, you may charge goods up to a cost of $120 and pay for purchases over a six- to twelve-month period. Each month a certain portion of the total amount is due and must be paid to keep the account in good standing. New purchases may be charged to the account at any time as long as the total amount owed does not exceed the established maximum of $120. This helps to prevent the consumer from charging more than he can comfortably repay. A monthly service charge (interest) of 1 to 1½ percent of the unpaid balance is charged. This monthly rate of interest can be misleading, however. The Truth in Lending Law requires lenders to disclose annual as well as monthly interest charges on revolving accounts. For example, a 1½% monthly charge is really 18% per year.

Credit cards

Credit cards are widely used in place of cash. Many people carry more than one credit card. There are three kinds of credit cards – single-purpose cards, travel and entertainment cards, and bank cards.

Sincle-purpose credit cards are issued by a firm for use only in buying from that firm. They are most often issued by department stores, oil companies, and other retail businesses. There is no charge for this type of credit card, and usually revolving credit is available as well as open-account credit.

Travel and entertainment cards are popular with businessmen and those who travel a great deal. American Express, Diner Club, and Carte Blanche are some of the better-known cards of this type. These cards enable the cardholder to charge purchases at participating businesses throughout the country and even in foreign countries. They are used mostly for hotels and restaurants, but often they may be used in retail stores as well. The cardholder pays an annual fee for this type of card.

Bank credit cards are issued by banks and can be used at any participating business – retail stores, restaurants, or hotels. There is no charge for these cards, and they may be used either as open-account or revolving credit. Bank Americard and Master Charge are two of the major bank cards.

To protect the credit card user, the Fair Credit Billing Act gives three principal rights:

1. The right to get your bill on time. A creditor cannot charge you any finance charges unless the bill is mailed to you at least 14 days before payment is due.

2. Protection against billing errors. If you write a creditor about an incorrect bill, the company must acknowledge your complaint within 30 days and must resolve the dispute within 90 days.
3. Protection against being charged for defective merchandise. If the store where you bought the merchandise will not replace or repair it, you may inform the credit card company of the problem and withhold payment until the dispute is settled.

Advantages of cash payments

Some people insist on paying cash for everything they buy. They say there are good reasons for doing so.

1. You can do a better job of shopping. You are not restricted to the stores where you have accounts. If an article or price at one store does not please you, you can go elsewhere. You can save money and have a wider choice of goods.
2. Merchants sometimes give discounts to customers who pay cash.
3. Stores that do not have the high billing and collection expenses involved in offering credit can frequently afford to sell goods at lower prices. If you shop at these stores, you often can save money.
4. You are not tempted to overbuy.
5. You have a bigger margin of safety. Some people get into tight situations when sickness or other emergencies arise. They have overstretched their credit and there is no reserve left. They might even lose some things they have partly paid for. A person who has no debts can use credit as an emergency cushion.

Advantages of credit accounts

If you keep your credit under control with a sensible budget, it has its own advantages.

1. You establish your credit by using it well. The person with a consistent record of charging and paying will get credit more easily in an emergency than the person who has always paid cash.
2. Credit is convenient. You do not have to carry large sums of money with you or run up banking costs by writing many checks. If you see an attractive article advertised, you can order it by telephone. Monthly bills and the checks in payment make recordkeeping easy.

3. You may get better service. Stores try to please their credit customers. You are identified as a regular customer. Often you are given advance notice of sales, which gives you a chance to select from the full stock.
4. You are not limited to the cash you have at the moment. You can take advantage of sales even though you do not have enough cash at the time.
5. Credit is a pay-as-you-use plan. You can buy an item and enjoy using it while you are paying for it.

For Discussion:

1. What is meant by consumer credit? What are some of the kinds of consumer credit we use?

2. What are the two basic kinds of charge accounts, and how do they differ?

3. Name and discuss the three kinds of credit cards.

4. How do you think the use of credit has affected our lives and the economy?

5. What are the advantages of using credit and of using cash?

In small communities, merchants may know many of their patrons well enough to give them credit without asking questions. However, it is usually necessary to apply for credit from a firm by filling out an application blank and submitting it to the credit department. Often the process can be done by mail, but sometimes the customer must be interviewed by a member of the firm's credit department.

The information requested on the application blank helps the credit department decide whether or not the applicant is a good credit risk. Application blanks differ, but most ask the prospective charge customer to list his name and address, the name and address of his employer, the nature of his job, how long he has been working at his present job, the name and address of his bank, and the name and address of several references.

When a customer applies for credit and is asked to fill out a form, he should not become annoyed or attempt to evade questions. Remember, the merchant is not trying to pry into your affairs. You are asking him to take a risk; therefore, he has the right to receive adequate information on which to base his decision.

Upon approval of your application for credit, you will probably be issued a credit card or charge plate, which usually contains the account number and space for your signature. It should be presented each time a purchase is made. You will be asked to sign the sales slip. The salesman will compare your signature with the one on the card or plate. It is very important that you guard against loss or theft of all credit cards and that you report any loss immediately to the firm issuing the card.

The credit bureau

Many firms are members of a credit bureau. This credit bureau furnishes its members information on credit applicants, and the members report to the bureau on the standing of their own credit customers. If you fail to pay your bills at Store A, you will find Store B wary of you; on the other hand, if you pay your bills promptly, you will find it easy to establish credit at other stores.

These bureaus exchange information not only among local businesses, but with those of other cities as well. Merchants are charged for this service, and the more data required, the higher the cost.

The three C's of credit

Extending credit is like lending money. It always involves some risks. Many business firms have failed because they had thousands of dollars "on the books" that they could not collect.

The businessman must take care to grant credit only to persons who can and will pay with reasonable promptness. At the time you request credit, he will consider you in the light of the three C's of credit: capital, capacity, and character.

Capital: What is your net worth? Net worth equals assets (home, auto, bonds, furniture) minus liabilities (notes, mortgages, unpaid bills).

Capacity: What is your income or earning power? Do you have steady employment? Will you have money to pay the bill when it is due?

Character: Do you meet your obligations? How good is your word? If your word is good, a merchant may stretch a point in your favor, even though you do not have a large income.

The merchant is frequently on the spot with respect to credit. Refusing to grant credit may cause him to lose a sale. If he cracks down on a slow payer, he may offend a person who would otherwise be a steady customer. Sometimes he may be too lenient either for his own good or for the good of his customers, who may be encouraged to form bad habits.

Return of merchandise by customers is another headache for the merchant. Everyone occasionally has to return goods that are unsatisfactory, but some customers order many items, intending to keep only one and return the rest. A recent survey revealed that the average medium-size department store is forced to handle 80,000 returns each year, at a cost of about a dollar apiece.

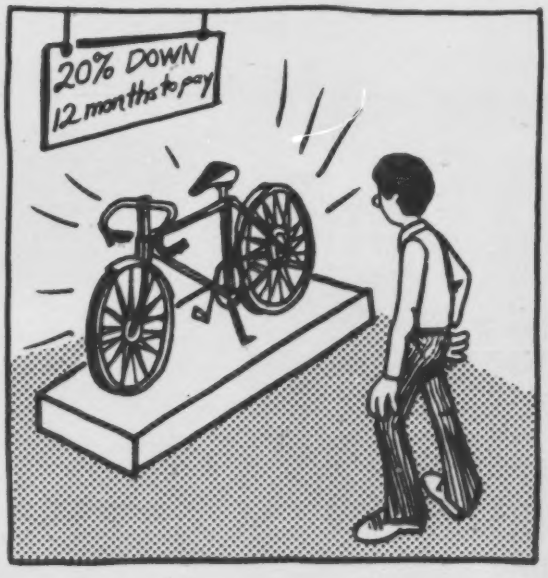
All the blame does not rest on the customers. Some stores push sales by urging people to use their credit. This often causes customers to spend recklessly, buying more than they can actually pay for. All of these practices tend to raise the cost of selling goods and consequently the cost of the goods themselves. Often liberal credit terms attract enough business to offset the expense of offering credit. Extra service entails extra costs, and credit is no exception. However, many customers feel that the service is worth what it costs.

For Discussion:

1. When you apply for a charge account, how does the merchant decide whether or not to let you open the account?

2. If you don't pay your bills on time at one store, how will your credit standing be affected at other stores?

3. What are the three C's of credit?



Most people cannot afford to pay cash for items such as an automobile, a stove, a refrigerator, or a television set. Instead of saving our money till we have enough to pay cash, most of us use these items while we are paying for them. This method is known as installment buying.

Installment buying is very popular in the United States. Some reports indicate that one-third of all retail sales are made on the installment plan. Approximately two-thirds of all automobiles and more than half of all household appliances are sold by this method. This kind of credit blossomed around the time of World War I; and today it is an established practice in our country.

How does installment credit operate?

There are basically three major differences between open-account credit and installment credit.

1. A finance charge and perhaps other special charges are added to the price of goods purchased on the installment plan.
2. A formal contract is involved in installment buying. This contract usually requires the buyer to make a down payment and then pay a set amount each week or month for a specified length of time. While the buyer may have the right to use an article while paying for it, he does not hold title until he completes the payments.
3. Installment credit is usually extended for a longer period than most charge accounts. Payments can be spread over a period of time ranging from three months (90 days) to several years.

Cost of installment credit

As a sensible buyer, you will not expect credit to be free. You must realize that you are getting the use of goods as you pay for them; and you must be willing to pay a fair price for this advantage. Customers who buy on the installment plan

must pay interest charges to cover the additional costs that the merchant incurs when he extends this type of credit. Charges will vary, but they must always cover three kinds of costs: pure interest, insurance against estimated losses, and administrative expenses.

Pure interest

What is pure interest? It is the interest payment without any other charges added, such as a carrying charge or insurance coverage. The man who extends $100 of installment credit for a year could be using the money in other ways. Although you can enjoy that color television set while you are paying for it, you must also realize that you are paying extra for that privilege. The payments of interest could be used for other things had you saved and paid cash for the item.

Insurance against estimated losses

There is always some chance that a debtor cannot or will not pay. A lender will refuse to grant credit if he thinks the risk is too great. However, even though he makes a careful selection of risks, he must expect some losses from bad debts or some extra expenses in collecting from those who have not made their payments.

Administrative expenses

Operating an installment program involves the expenses of credit investigation, legal assistance, bookkeeping, billing, and collection. These extra charges or expenses are figured in your payments.

Is installment credit worth the cost?

Now that you understand the operation of the installment plan and the costs it involves, you might ask yourself, "Is it good business to use installment credit?" That question is the subject of endless discussion. Listed below are a few advantages and disadvantages of installment credit.

Advantages:

It enables you to use goods while you pay for them.

Your standard of living might be raised. Through the installment plan you can buy a car which otherwise might have been impossible to obtain.

If you are under contract to make payments, you will manage to make them instead of wasting the money on something else.

It can help people get a start in life.

Disadvantages:

Installment credit reduces your total buying power because you will pay more for the things you buy.

You may be tempted to overbuy because the payments look so easy. Too much of your annual income could be tied up in installment payments unless you plan carefully.

The margin of safety is sacrificed. If a person's income is reduced or if an unexpected large expense arises, he may not be able to meet his financial obligations. He could end up losing the goods and the money he has already invested in them.

Habits of thrift can be destroyed. Many people believe they cannot save money, but will manage to make installment payments for the same amount of money. If a person learned to budget, he could purchase things by paying cash and thus save money in the long run.

The sales contract

Make sure that you understand all terms and conditions in an installment contract. Take your time and never sign a blank agreement. Avoid the salesman who is always in a big hurry. Reliable creditors will carefully help you understand that what you are signing is a contract with definite provisions that are legally enforceable. The contract is usually in the form of a chattel mortgage or a conditional sales contract.

Conditional sales contract

Under a conditional sales contract, you are given possession of the goods, but not ownership. Title to the goods (actual ownership) will pass to you only when you have made your last payment and fulfilled all of your obligations. Failure to live up to your part of the contract could result in having your goods repossessed. The conditional sales contract is becoming the basic form of installment contract.

Chattel Mortgage

Another way sometimes used when buying large goods on credit is to give the seller a mortgage on the goods. The buyer is given title to the goods, which become the security for the loan. If the buyer cannot pay the loan, the goods will be sold at a sheriff's sale and the money turned over to the original seller.

Another way

Just as the buyer tries to get the very best price for the car or other item he is buying, he/she should try to get the lowest interest rate. Rather than sign a conditional sales contract or a chattel mortgage, the buyer should look into the possibility of

borrowing money from a bank or credit union and paying cash for the car. The buyer may save a large amount of money over the life of the loan that way. It is always worth a try.

Penalties

Most contracts describe penalties for nonpayment or late payment. A merchant, like any other businessman, depends on community goodwill and does not usually take drastic steps if a buyer happens to be a day or so late with a payment. However, terms as expressed in the contract *can* be enforced exactly as specified. Therefore, it is wise to know what the terms are before you sign anything.

Wage assignment

Many people never read the fine print of any papers that they sign. This is a bad habit. Often included in the fine print is the provision for a wage assignment. Under this provision, the borrower's employer may be forced to deduct payments from the borrower's paycheck.

Employers do not like to do this, and sometimes they have fired employees whose problems were referred to them under such an agreement.

Garnishment

Garnishment proceedings involve court action against the delinquent debtor and in many instances result in a court order to the employer to pay some part of an employee's wages to his creditor. You can be assured that your job may be endangered if your lender goes so far as to haul you into court.

For Discussion:

1. How does installment credit differ from a charge account?

2. What are the extra costs involved in installment credit?

3. Give 4 advantages and 4 disadvantages of installment credit.

4. What is a chattel mortgage? What is a conditional sales contract?

Have you ever borrowed money from a friend? You may have had to borrow on your next week's allowance because you were short of cash for your prom. When you had to repay the money, you may have been sorry you ever borrowed it.

Consumers borrow money to pay for goods and services such as houses, automobiles, household appliances, and hospital bills. Loans may be obtained from many different sources, such as banks, credit unions, consumer finance companies, insurance companies, savings and loan companies, or some unions. All of these organizations make a business of lending money. They are willing to loan money to customers who can give satisfactory evidence that they will repay the amount borrowed. These organizations make a profit by requiring borrowers to pay interest or other charges for their services.

Promissory notes

When you borrow money, you are usually required to give your written promise to repay it at a definite time. This is known as a promissory note. It may be in letter form or it may be written on any piece of paper provided that it contains the necessary information. Basically a promissory note includes the following information:

Date note is issued.
Principal – amount borrowed.
Time – days of months until note should be paid.
Payee – one to whom the note is payable.
Interest Rate – rate paid for the use of the money.
Date of Maturity – date on which note is due.
Maker – one who makes the payment.

Need of security for a loan

If the lender is to remain in business, he must have some assurance that each loan will be repaid. The person with excellent credit rating may be able to borrow on his signature alone. This is known as a character loan. Sometimes signatures of two people (called cosigners) are required on a loan. Both promise to pay on the due date. If the original debtor does not pay, then the cosigner must pay.

Sometimes you might have to offer some form of security. If you own an automobile, a home, furniture, or other items of value, you might be able to offer one of them as security for a loan. In this case, you would give the lender a mortgage, listing the property on which the loan is made. What is a mortgage? A mortgage is a legal paper signed by you, the borrower, giving the lender a claim against property of yours in case the principal or the interest or both are not paid.

In the event that you have no property to offer as security, you may sign an agreement that gives the lender a right to collect part of your wages if the loan is not paid when due. If you have to depend upon your salary for a living, this type of an agreement could work a great hardship on you.

You may not have enough property or a good enough credit standing to make a loan by yourself. In cases like this, you may ask a friend or a relative who has property or good credit standing to endorse (co-sign) the note. He is then responsible for payment of the note if you do not pay.

Interest paid on money borrowed

You pay a certain amount of money for the use of the money you borrow. This is known as *interest.* If you have money in a savings account in the bank, the bank will pay *you* interest for the use of *your* money. However, on the other hand, if you borrow money from the bank, you are required to *pay* interest. The amount of interest depends on how much money you borrow, the amount of time for which it is borrowed, and the rate of interest charged. One important thing to remember is that the amount of interest that you receive for your savings is always lower than the rate of interest paid by you for borrowing money.

Terms and interest rates vary and banks usually offer different types of loans. Banks will offer some clients loans on short-term unsecured notes on a simple interest basis (figured by multiplying the principal times the annual rate of interest times the loan period or time). The loan is repaid in a single payment.

Most bank loans, however, are made on the installment method. The borrower pays back a certain amount each month, and the interest is calculated on the unpaid balance.

Getting a loan

People borrow money for periods of time ranging from a few days up to a few years. These are known as short term and intermediate-term loans. Loans for the purchase of real estate are classified as long-term loans. Let us take a closer look at the places you might go to obtain a loan.

The bank .

Most of the small loans made to consumers are made by commercial, industrial, and savings banks. Commercial banks are among the most common sources for personal loans because of the favorable interest rates. Loans are made for such purposes as buying an automobile, appliances, or furniture; and even for financing medical and hospital bills, home repairs and modernization, or charge account purchases at stores that cooperate in a credit-bank plan.

Terms and interest rates can vary from bank to bank, so it may be worthwhile to visit several banks to find the best deal. Interest rates also vary according to the type of loan. In an *unsecured* loan, the borrower simply signs a contract agreeing to repay the loan according to the specified terms. A *secured loan* carries a lower interest rate, because the borrower pledges or turns over to the lender some kind of property called *collateral* which has a value equal to the amount of the loan. This can be in the form of stocks, bonds, automobile, or other personal property. The lender has a claim on this property until the loan is paid.

Short-term notes are loans made for a short period of time (usually 3 months). They are repaid all at one time rather than on an installment basis. The interest rates are usually quite favorable.

Savings and loan associations

A savings and loan association is a term generally applied to an institution organized for the purpose of accepting savings deposits from individuals. Sometimes these institutions are called building and loan associations, cooperative banks, building associations, homestead associations, and savings associations. All savings and loan associations make mortgage loans. Many also grant home-improvement loans, personal loans, and loans for education.

Life insurance companies

Except for term insurance, life insurance policies build up a cash value as premiums are paid year after year. The policyholder may borrow from his insurance company up to the cash or loan value of his policy. You will find a table of loan values at the end of each year on your policy.

You can usually get the lowest rate of interest by borrowing from your insurance company. There is no credit investigation required. The company has no control over how the money will be used by you. Your loan may be short or long term. In case of death before the loan is repaid, the amount of the loan plus accumulated interest will be deducted from the death benefits. When you borrow on your life insurance, your insurance protection is reduced by the amount of the loan because the loan is deducted before the amount of the insurance is paid.

Consumer finance companies

If you are a television watcher, no doubt you have seen commercials for finance companies. What are consumer finance companies? They are small loan companies that specialize in making small loans. They will often lend money to people who might be considered poor risks by other institutions. But they also charge higher interest rates, so it is wise to try to borrow money from other lenders first.

Credit unions

A credit union is a cooperative organization of people who agree to pool their savings and make loans available only to members at a low interest rate. The members of a credit union are usually people who work for the same employer or members of the same church, labor union, or fraternal order. There are more than 23,000 credit unions and over 20 million members in the United States. They are chartered either under federal or state laws.

Funds for a credit union are obtained by selling ownership shares to the members. Personnel who direct the business affairs of the credit union are elected by the members. Each member has one vote regardless of the number of shares that he holds in the organization.

Monies that are collected through the sale of shares are usually loaned to members. Excess funds may be invested in loans to other credit unions or in government securities. A loan to a member may be made for any purpose that is considered to be a benefit to the borrower.

Dividends paid by credit unions, like those of savings and loan associations, are usually higher than the interest paid by savings banks. Since dividends are not guaranteed, they can be paid only if they are earned. The amount of the dividend depends to a considerable extent upon the skill of those who manage the affairs of the credit union.

For Discussion:

1. Name 4 sources of loans.

2. What is a promissory note?

3. Why are interest rates usually lower on secured loans?

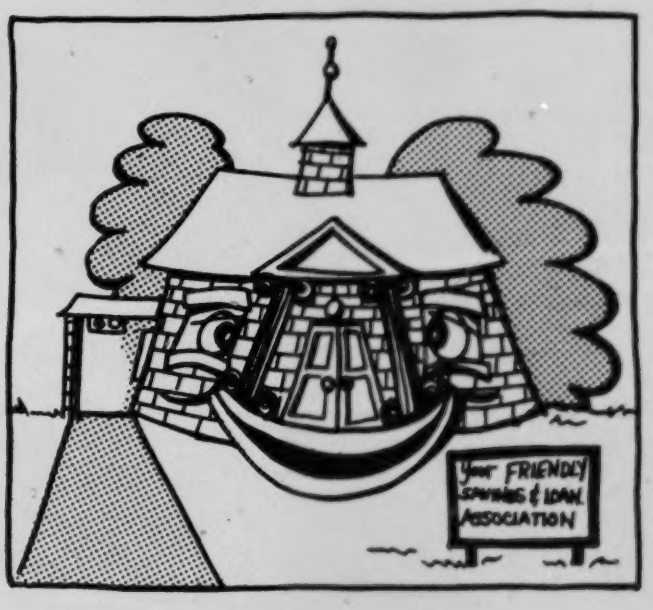
4. What is the advantage of borrowing money on your life insurance policy?

5. Why should you borrow from consumer finance companies only as a last resort?

UNIT VIII

BANKS AND BANKING SERVICES

Lesson 1 — Kinds of Banks



Banks perform many services for us. We all know that banks help you save your money in a safe place, but this is not the only way banks help people. Some of the ways a bank can be of service to you are:

a. Checking accounts
b. Savings accounts
c. Safe deposit box
d. Travelers checks
e. Loans
f. Christmas savings clubs
g. Vacation savings clubs
h. Savings bonds
i. Money orders

There are different kinds of banks. The three main classification are commercial banks, industrial banks, and savings banks.

Commercial bank

A commercial bank is one which is owned by its stockholders, who elect a board of directors to manage the bank's operations. Today many of the commercial banks identify themselves as "full service" banks because they offer numerous financial services to their customers – checking accounts, safe-deposit boxes, loans, savings accounts, and others.

Industrial bank

The industrial bank is a stock company owned and controlled by stockholders who invest money in the business. This special type of institution is permitted to make only certain types of loans, and they are usually small ones. They accept deposits in savings accounts and often sell investment certificates, which are the same as time-deposits in the commercial bank.

Savings bank

A savings bank is an organization that accepts savings deposits on which interest is paid to depositors. These banks may be stock companies (owned by stockholders) or mutual companies (owned by depositors). In addition to savings accounts, these banks make mortgage loans. In some states they may also offer checking accounts.

Economic functions and services of banks

When a bank is organized, the owners invest money in the bank and become stockholders. Individuals, businesses, and other institutions deposit their money in banks for safekeeping. Some deposit their money for savings purposes so that they can earn interest, while others deposit money so that they may write checks to pay their bills.

This money is then available for the bank to lend or to invest. The bank charges interest on loans and earns an income on its investments. From these two sources of income, the bank is able to pay for its various expenses of operation, pay interest on savings deposits, and pay a profit to stockholders if there is any profit.

Businesses and individuals are helped by banks through the borrowing of money. A business may borrow from a bank in order to buy merchandise to sell so that the business may make a profit on the merchandise. Individuals may borrow from a bank to buy a home or other property.

For Discussion:

1. What are the three kinds of banks?

2. What services does each perform?

3. When you deposit money in the bank, what does the bank do with your money?

Banks accept money deposits from businesses and individuals and pay out this money when the depositors write checks on the deposit. This service is called a checking account, and the deposits in a checking account are called demand deposits. The deposits are so called because the bank must pay out the money whenever the depositor demands or orders it to do so. This demand is in the form of a check, which is a written order by which you direct the bank to pay a certain amount of money to another person. The check writer is known as the drawer and the person to whom the check is payable is called the payee. The bank on which the check is drawn is called the drawee.

Advantages of a checking account

The advantages of a checking account are numerous. Some of them are:

1. Eliminates need to carry large amounts of cash.
2. A personal check is a convenient way to pay bills.
3. Usually, it is more economical to pay bills by check through the mails than to make a trip to the places where accounts are to be paid.

4. Check stubs and cancelled checks provide a record of expenditures, deposits, and bank balances.
5. Money in a checking account is safe from theft or loss.
6. A cancelled check is proof of payment and serves as a receipt.
7. A checking account may help to enhance your personal business standing as well as serve as a reference.

Disadvantages of a checking account

In the above paragraph, we discussed some of the advantages of a checking account. Let us turn the coin over and look at the disadvantages.

1. Identification: In order to cash checks, additional identification is usually required, such as a driver's license.
2. Some people and businesses will not accept checks as payment.
3. Usually there are service charges made on a checking account.
4. Maintaining poor records can cause your account to be overdrawn.

Choosing a bank

When selecting a bank in which to open a checking account, you should consider:

1. What types of accounts are available?

   a. Regular account. With this type of account, no fees are charged as long as you maintain a specificed minimum balance. If you write many checks each month, this type may be the best choice.

   b. Special account. Recommended for those writing only a few checks per month. A fee is charged for each check written.

2. What service fees will be charged?

   a. Check purchase fees. Some banks provide their depositors with checks at no charge. However, if you want your name and address printed on them, your bank may deduct the check purchase from your account.

   b. Checking fee. This can vary depending upon the bank. Some charge a per-check fee if the account is not maintained at a specific amount. Others may charge 10 or 12 cents per cancelled check. Today, to entice more people to use their services, many banks are advertising free checking privileges.

   c. Non-sufficient fund fees. When a check is presented to the bank for payment and your account does not have funds to cover it, the bank will assess your account. The check is not processed.

d. Overdrawn fees. If the bank decides to process the check when there are no funds to cover it, the bank will again assess your account. The decision to process the check is based upon the record and reputation of the account.

3. Federal Deposit Insurance Corporation (FDIC).
   You will want to know whether the bank is covered by FDIC, which insures deposits up to $40,000 on each account.

4. Convenience. If possible you should select a conveniently located bank with hours of business that will permit you to make transactions in person. Is there a night depository or cash machine operating 24 hours a day?

Opening the account

Persons of any age may open a checking account. Some banks may request the signature of a parent or guardian for a minor. After selecting the bank of your choice, you may open one of the following accounts: joint, individual, or co-signature.

1. Joint Account: Two or more signatures are placed on the signature cards, allowing one other person besides you to write checks against your account. In the event of an emergency the other person can withdraw money for you. In the event of death, the other person can withdraw money without having to go through probate.

   Joint accounts should always be stated:
   James Monroe *or* Mary Monroe,
   never
   James Monroe *and* Mary Monroe

   since *and* requires both signatures on each check while *or* allows either person to sign a check.

2. Individual Account: Provides for you and only you to write checks on your account. Therefore, only one signature – yours – will appear on the signature cards.

3. Co-signature Account: Requires two or more signatures on each check before the check will clear the bank. The number of required signatures is indicated on the signature card. Businesses and organizations often use this type of account.

The signature card

Fill in the signature cards as indicated by the bank personnel: your name, address, telephone number, and the signature of all persons authorized to write checks against the account. The signature cards are the bank's primary reference for confirming the check signature of the drawer. These cards require the exact signature of each person who will be permitted to write checks.

John's nickname is Jack. When he opened his account, he signed his name John R. Miller. Whenever he signs a check, he must sign his name John, never Jack. If he happens to sign the name Jack, the bank would probably refuse payment of the check.

Writing a check

Fill in the stub or register as applicable (depending upon the type of checks you ordered). (See page 150) If there has been a deposit between this check and the last one, be sure that it is added in. Also, if there have been any errors or bank fees since the last check was written, be sure to subtract them. Prevent errors by doublechecking all addition and subtraction.

Always use ink to write your checks to prevent someone from changing the payee's name or the amount of the check. The bank has the right to refuse payment of a check written with pencil.

Pre-numbered checks are offered by all banks. Generally your account number is printed in MICR (Magnetic Ink Character Recognition) at the bottom of the check for machine reading. In the event your checks are not pre-numbered, number all of them when starting a new book. By using this procedure, you can be sure you have recorded all of the checks you have written.

Date all of the checks you write. Fill in the correct name of the person or business being paid. Show the amount of each check in numerals, being certain to start close to the dollar sign to prevent the insertion of any additional numbers. As a rule of thumb, always make the cent numerals smaller than the dollar numerals.

Write out the dollar amount of the check in words starting at the extreme left, once again preventing any additional words from being written in. Change is always written as a fraction after the dollars have been spelled out; fill in the space after the fraction with a line extending to the word "Dollars". Make certain the numeral and the written amount of the check are the same. If there is a discrepancy, the bank will honor the written amount.

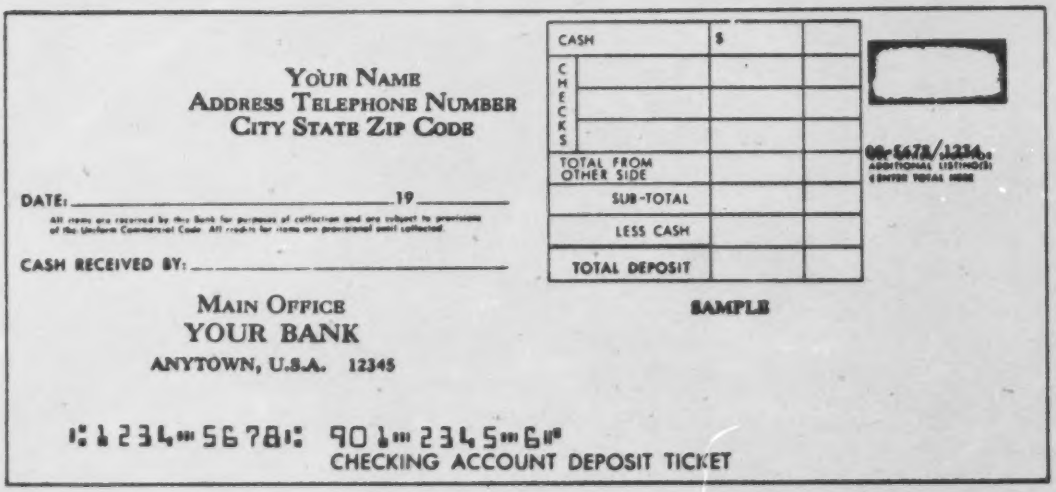
The signature is always the final step in writing a check. Never sign a check until the payee and the amount sections have been completed. This prevents someone else from writing in his own name or filling in the amount in a different sum. Use the signature recorded on your signature card at your bank. In the event that you should make a mistake while writing a check, do not attempt to erase. Write "void" on it and leave it in your checkbook. This way you will know what happened to that check number for your records.

Deposits

When depositing money, whether it be cash or checks, always doublecheck all figures. The following procedure should be used by you when making a deposit:

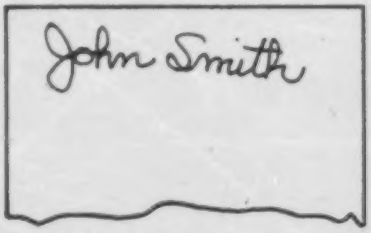
1. Fill in all necessary information, such as name, address, and date. Your bank may furnish you personalized deposit slips, thus eliminating the requirement for name and address.
2. Count all monies carefully and accurately. If the deposit slip shows "Silver and Currency," remember:
   a. Silver refers to coin money.
   b. Currency refers to paper money.
3. Record the ABA (American Bankers Association) number on the deposit ticket under the check section and write in the correct amount of each check.
4. If you decide to withhold some cash out of your deposit, show the amount on the "Less Cash" line and subtract it from the "Sub-total" to show the "Total Deposit".

Record your deposit immediately after completing the deposit. If you enter the deposit in your checkbook before the actual deposit, you may forget to deposit the money and overspend your account. If needed, you can use the box on the back of your slip to list checks being deposited.

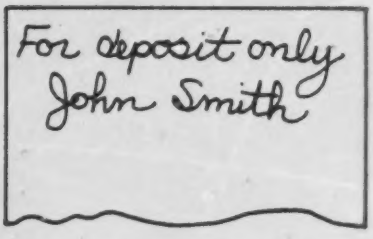


Endorsements

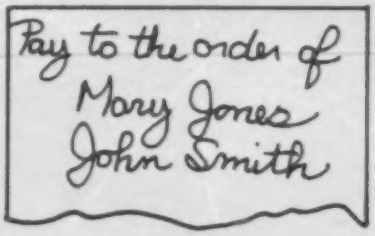
You have been instructed how to open an account, make deposits, and write checks. Now it is important for you to learn the correct methods for endorsing a check. An endorsement is your signature on the back of the check, to transfer ownership of the check to another person. There are two types of endorsements – blank endorsement and restrictive endorsement.



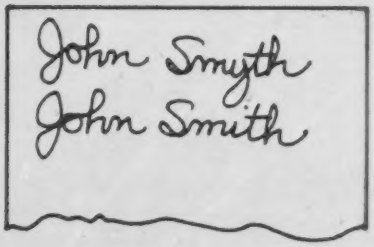
1. The *blank endorsement* is a signature only. Such an endorsement would permit any person to cash the check if it were lost or stolen. Never use this endorsement until you are ready to cash or deposit the check.



2. A *restrictive endorsement* limits the use of the check to a specific purpose. A signature below the words "For Deposit Only" is the most used form of restrictive endorsement. This indicates that you will be depositing all or part of the check into your account. The restrictive endorsement is the best endorsement to use whenever depositing a check, whether in person or by mail.



3. A *special endorsement* transfers ownership to a specific person, who is called the *endorsee*. You write "Pay to the order of" that person. He must then endorse (sign) the check in order to cash it.



4. If a check has been made out to you with your name misspelled, endorse the check exactly as your name appears on the face (misspelled), then write the correct spelling below.

Overdrafts

Overdraft means a negative balance in your checking account. This happens when you write a check for more money than you have in your account. The bank might accept the check; such an account is called "overdrawn." The bank might refuse payment of the check and return the check to the payee; such an account is termed "non-sufficient funds."

Stopping payment on a check

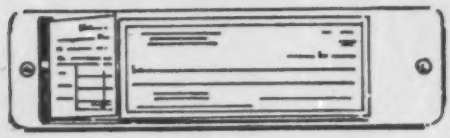
It might become necessary, at some time in your lives, to stop payment on a check which you have written. This means you will inform your bank to refuse payment for a specific check if it has not been presented for payment already. The bank will "attempt" to stop payment, however, it will not guarantee to do so. There is usually a charge for stopping payment.

Reasons for stopping payment might include:

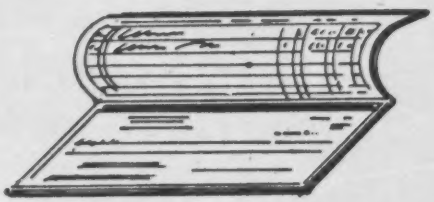
1. Loss of written check in the mail or by the payee.
2. Discovery of fraud on the part of the payee.
3. Lack of compliance by the payee.
4. Neglect of the payee to deposit the check after a reasonable time.
5. A double payment by you.

TO DO

1. You have a balance of $201.25 in your checkbook. Enter this amount on the register page.
2. Write a check using the following information: check #234, today's date, to General Motors, in the amount of $110.61, for auto payment.
3. Enter the information about this check on the register page. What is your new balance?



END STUB CHECKS



POCKET REGISTER

REGISTER PAGE

PLEASE BE SURE TO DEDUCT ANY PER CHECK CHARGES OR SERVICE CHARGES THAT MAY APPLY TO YOUR ACCOUNT

CHECK NO.	DATE	CHECKS DRAWN OR DEPOSITS MADE	(−) AMOUNT OF CHECK	√ T	(−) CHECK FEE (IF ANY)	(+) AMOUNT OF DEPOSIT	BALANCE
		TO / FOR					
		TO / FOR					
		TO / FOR					
		TO / FOR					

SAMPLE CHECK

NAME AND ADDRESS OF ACCOUNT HOLDER

BANK NUMBER ASSIGNED BY AMERICAN BANKERS ASSN.

FEDERAL RESERVE NUMBER

YOUR NAME
ADDRESS
CITY STATE ZIP CODE

234

_____ 19____ 00-5678/1234

PAY TO THE ORDER OF _____ $ _____

_____ DOLLARS

MAIN OFFICE
YOUR BANK
ANYTOWN, U.S.A. 12345

SAMPLE

FOR _____

⑈1234⑈ 5678⑆ 901⑈ 2345⑈6⑈ 0234 ⑈00001141 6⑈

FEDERAL RESERVE AREA

CITY

LENGTH OF TIME IN DAYS TO CLEAR CHECK

BANK NUMBER

YOUR ACCOUNT NUMBER

CHECK NUMBER

AMOUNT OF CHECK ENCODED DURING CANCELLATION

For Discussion:

1. What is a checking account? What are the advantages of having one?

2. How would you decide whether to open a regular checking account or a special checking account?

3. Define the following:
   a. joint account
   b. individual account
   c. co-signature account

4. What information is entered on the stub or register?

5. What should you do if you make a mistake while writing a check?

6. Explain the purpose of an endorsement.

We all approve of the idea of saving for the future, but sometimes we have so little to save that saving hardly seems worthwhile. However, small amounts saved regularly can grow into important sums. Savings accounts can be opened in savings banks or in the savings departments of other banks.

Opening a savings account

The steps to be taken in opening a savings account in a bank are similar to those followed in opening a checking account. You fill out a signature card, make a deposit, and receive a savings passbook. When you make a deposit, you fill out a deposit slip and present it with the savings passbook and the deposit to the bank clerk, who enters the amount in the passbook. If you forget your passbook, the clerk will take the deposit and issue you a receipt for it. The entry is then made in the book by the bank clerk upon presentation of the book and receipt at a later date.

The savings passbook shows deposits and withdrawals made by the depositor, the interest earned, and the balance in the account.

Making withdrawals

In most states you cannot write checks to pay money to someone from a savings account. You must withdraw the money yourself. To do this you must fill out a withdrawal slip. Present this form along with your passbook to the bank clerk.

In the event that you lose your passbook, notify your bank immediately. You will be issued a duplicate. Before the duplicate is issued the bank will require you to complete and sign certain forms for the protection of the bank.

Some banks require a 30-day notice of an intention to withdraw money from a savings account, particularly for large amounts, but usually they will permit smaller withdrawals at any time.

Savings banks

These banks, like the savings department of a commercial bank, accept for deposit the savings of individuals. Many savings banks also perform other services such as renting safe-deposit boxes, operating school savings programs and selling savings-bank life

insurance. Some savings banks are expanding their services to include checking accounts. Legislation was introduced in the mid-1970's to permit all types of banking institutions to offer checking accounts and to pay interest on them.

Savings through investments

During World War II, many Americans began investing their money in war bonds. Now these bonds are called savings bonds. Buyers of bonds receive $25 for every $18.75 they invest, provided they wait until the maturity date of the bonds. At first the maturity date was ten years. As of 1976, the maturity date was five years and ten months from their date of issue. The United States Savings Bonds, Series E, as they are now called, can be purchased at the following prices:

Face Value	Cost or Issue Price
$ 25	$ 18.75
50	37.50
75	56.25
100	75.00
200	150.00
500	375.00
1,000	750.00

Besides federal government bonds, there are bonds issued by states, counties, cities, school districts, villages, townships, and other government agencies. These are called *municipal bonds.*

Any governmental unit that issues a bond is required by law to make provisions to pay interest and to pay the debt when it becomes due. The money for interest payments and debt retirement usually comes from taxation.

Interest earned on municipal bonds is exempt from federal income taxes. For that reason, many people like to buy municipal bonds even though they may not be quite so safe as federal or state bonds. Because most governmental bonds are considered safe investments, the rates of interest paid on these bonds are relatively low compared with corporation bonds. However, the rates are often higher than can be earned on deposits in a savings account. Most important, you are not required to pay taxes on your interest as you do in a savings account.

For Discussion:

1. How are savings accounts different from checking accounts?
2. What is a savings passbook?
3. Find out the rate of interest currently paid on savings accounts by most banks. Is the rate higher or lower than the interest rate you pay when you *borrow* money from a bank?
4. What are the advantages of investing in bonds?

UNIT IX

LABOR AND LABOR UNIONS

Lesson 1 — History of the Labor Movement

What is *labor*? Labor is all human effort, both mental and physical, exerted to provide goods and services. It includes anyone who works at a job – factory workers, secretaries, mechanics, salesmen, engineers, managers, truckers, waitresses, and many others. The term *labor force* refers to all persons who are willing and able to work and are either employed or are seeking employment.

The American system is strong and successful because we are capable of producing goods and services efficiently and rapidly. Successful production basically depends upon three factors: land, capital, and labor. According to economists, all natural resources are classified as *land*. In America, we have a good supply of a variety of natural resources. To enable a businessman to produce goods and services, he needs *capital*. Capital refers to buildings, equipment, and other physical property used in a business. Land and capital are necessary, but nothing would be produced without labor.

Labor unions

A labor union is an organization of workers designed to protect their interests and to represent them on all matters affecting relations between workers and their employers.

Conflict between labor and management will persist as long as there are workers and managers. The old saying is, "It is an age-old clash between the 'haves' and the 'have nots'." But it also grows from a fundamental clash of goals. Workers want job security and fair treatment. Managers want freedom to make their organization more efficient and more profitable. When a manager's decisions threaten a worker's job, the worker resists. When a worker's demands threaten a manager's freedom, the manager resists. This is why there are unions and collective bargaining, and sometimes strikes.

Creation of unions

The history of the American labor movement is the history of millions of men and women, with no money and little education, who organized unions that brought them better treatment, better working conditions, better wages, and a degree of dignity in their work. They succeeded despite extraordinary opposition by some employers, the police, the courts, the press, and public opinion. When they tried to organize unions, they were sometimes spied upon, fired from their jobs, and blacklisted from other jobs. At times they succeeded in organizing unions only to see them beaten down by employers or destroyed by fear of reprisal or by an economic depression. Often many years went by before a new union would emerge from the wreckage of past attempts.

The first labor unions in this country were composed of skilled craftsmen who were opposed to the production of goods by machines and the employment of cheap, unskilled labor. Those early unions were usually poorly organized and unable to hold out against opposition from employers and the courts. Each craft had its own union and was interested only in the welfare of its own members.

An attempt to unite the many kinds of crafts and occupations into a single nationwide union came in the 1800's with the formation of the Knights of Labor. This organization was quite successful at first and was victorious in a number of major strikes. However, within 10 years it collapsed because of discord between skilled and unskilled workers, poor leadership, and disastrous strikes.

The failure of the Knights of Labor led to another attempt to establish a nationwide union. The American Federation of Labor (AFL), founded in 1881, has been a powerful influence in the labor movement. The AFL was a federation of craft unions. Each union was free to set its own policies, subject only to the overall policies of the AFL. The AFL, from its beginnings, was determined to be a group of unions concerned only with the economic well-being of workers through collective bargaining rather than political action.

During the first 25 years, the AFL was practically the unchallenged leader of the labor union movement. However, the AFL, with its interest in craft unions for skilled workers, made little or no effort to organize the millions of unskilled workers in the mass-production industries. As the depression began in 1929, membership in the AFL declined greatly.

In 1935, a group of unions broke away from the AFL and established the Congress of Industrial Organizations (CIO). Unlike the AFL, the CIO organized and drew major support from the millions of assembly line workers in the mass-production industries. The CIO also was committed to taking a more direct part in political affairs, and it did not hesitate to wield its power to gain political objectives.

In 1955, the AFL and the CIO merged. There had been conflict and competition between the two unions. Leaders of both groups realized that this division weakened the

labor union movement. After a long period of negotiations, the merger was completed in December 1955.

The government's attitude toward labor unions has changed. During the 1800's the labor unions seemed to challenge the existing political and economic order. They were opposed not only by employers, but also by the courts. For the most part, government maintained a hands-off policy with respect to labor. This policy worked to the disadvantage of the unions in their early years because they were no match for the more powerful and better organized employer groups. The court system held that union activity was in violation of the long-standing legal tradition of freedom of contract. That is, the union was trying to interfere with the right of the employer to offer employment on any conditions to a worker who was free to accept or reject the offer. Some state courts held that unions were illegal organizations and issued injunctions against union activities. Unions ignoring a court order were heavily fined, and the leaders were sentenced to jail.

Toward the end of the 1800's, government took more drastic action against unions. President Cleveland used federal troops against strikers to protect the federal mails, and many governors used state militia to break strikes. Laws restricting strikes and other union tactics were passed. The Sherman Act of 1890, which was intended to outlaw business monopolies, was turned against the unions. Union activities were prohibited as illegal combinations in restraint of trade.

The government's hands-off and hostile attitude toward labor gradually gave way in the early 1900's to a policy of protection for workers and unions. The growing power and influence of the AFL and the great hardships often suffered by workers spurred a number of state governments to action. Laws were passed governing working conditions, limiting the number of hours that women and children (and men in certain hazardous occupations) were permitted to work, and providing assistance to injured and unemployed workers. The legislation at first was struck down by state courts and the United States Supreme Court on the grounds that it was depriving people of their property. However, by 1920, the welfare of the workers was considered by most states and courts to be governmental responsibility.

For Discussion:

1. Who is included in the labor force?

2. What are the three factors necessary for production?

3. What is a labor union? What conditions led to the beginning of the labor union movement?

4. What was the difference in membership between the AFL and the CIO?

5. How has the attitude of the government toward labor unions changed?

Compared with workers in other countries, Americans receive higher incomes, work shorter hours, have safer and more desirable working conditions, and enjoy many other advantages. Part of this credit must go to America's rich resources and her efficient methods of production. But much credit must also be given to the union movement, which has insisted that workers be allowed to share in the country's growth and prosperity.

Labor unions strive for higher wages, shorter hours, and better working conditions. They often bargain for fringe benefits, such as pension programs, insurance plans, retirement plans, hospital plans, and paid vacations. Some unions are striving for job security for their members by persuading employers to guarantee that they will not abruptly discharge large numbers of employees.

Unions also have been influential in the political development of the country. By lobbying, by supporting candidates for political office, and by engaging in other political activities, unions have helped with the passage of legislation providing for workmen's compensation, social security, unemployment insurance, and other benefits.

How unions get results

If an employee in a large company is not satisfied with his wages or working conditions, he may not get much consideration if he presents his complaints in person to the employer. If a worker says he will quit, the employer may not be concerned, because another worker usually can be hired who will be satisfied with the present arrangements. A worker cannot get very far as a result of individual bargaining. But if many workers present a unified front, employers will generally hear their complaints. If differences cannot be resolved through collective bargaining, the employees may threaten to strike.

Collective bargaining

Since 1945, two critical developments have become the focus of attention in discussions about the future of American labor. The first of these is the problem of adapting the labor force to technological innovations known as "automation." The second question concerns the place of collective bargaining in a modern economy.

Mechanization of industry has been going on as long as there has been a labor movement. The machine is not only replacing man's muscle, but in many areas the machine performs even those mental jobs which do not require inventiveness and ingenuity.

Some unions responded to the threat of automation by insisting on keeping old contractual rules that were made before modern equipment and methods were introduced. Management has resisted this arrangement, attacking such rules as "featherbedding," in which employers are forced to pay wages for little or no work. On the other hand, many unions have bowed to the inevitable, accepting mechanization and seeking compensation for loss of jobs with a greater share of economic benefits for their remaining workers.

Just what is collective bargaining? It is negotiations between one or more labor union and one or more employer, over wages, hours, and other conditions of employment. Ordinarily the result is a contract by which both parties agree to abide for a specific period, typically one to four years.

Issues most often included in collective bargaining are:

1. More money. Labor's demand for more money is the one with which it has had the most success. One study indicated that workers in unionized factories earned approximately 18 percent more than those in non-union shops. Unions do not always achieve all their bargaining goals, but they usually win some of what they seek. Typically this includes an increase in basic pay, but often it involves a variety of other improvements. Through his union's efforts, a worker may earn extra pay for overtime, night work, or hazardous work. He may also be eligible for cost-of-living increases, profit-sharing payments, and Christmas bonuses. If he is laid off during a slack period, his employer may have to pay him part of the income he loses. He may also receive paid insurance, vacations, and other fringe benefits.

2. More benefits. Unions also place heavy emphasis in their negotiations on insurance, pensions, and any other fringe benefit they believe should be provided by the employer. They follow the European tradition that an employer has a social as well as an economic responsibility to his employees.

   There are employers who feel a strong responsibility to provide fringe benefits, but there are also many more who go along largely for selfish reasons. A good benefit program enables them to compete more effectively for new workers and keep those they have from moving to other jobs. Fringe benefit programs got their start during World War II. In that period, the government controlled wages to check inflation. To keep workers satisfied and to attract new workers, employers agreed to bargain over fringe benefits, with results that few anticipated. In the years that followed, fringe benefits became a major means of compensation in this country.

Strike

A *strike* is a work stoppage to win concessions from an employer. It may be used to force management to agree to contract terms a union seeks, to settle a grievance, or to recognize a union as a bargaining agent. Traditionally members of a local union vote on whether to strike, then seek permission from their international union to do so. Workers not directly involved may express their support by walking off their jobs in a sympathy strike. Also an incident on the job might trigger a spontaneous walkout called a *wildcat strike*. When an employer closes down to force a a settlement on his terms, his action is called a *lockout*. Sometimes employers can continue to operate during a strike with management personnel or workers who remain on the job. A worker who refuses to join other workers in a strike is called a *scab*.

Strikes have their roots in all kinds of situations. Many grow out of contract negotiations. Some result from efforts to organize a local union or from grievances about working conditions. In many cases it is difficult to determine just who is to blame, for management can be as stubborn as labor. When one side refuses to compromise any further, a strike may be the only possible result.

The decision to strike may be a matter of strategy or a response to pressures over which a union has no control. Conditions and resentments out of which a strike grows are likely to have existed for some time. The decision is usually made days in advance. When a local union is thinking of striking, the issue is debated, then voted on. If the vote is in favor of striking, they must obtain permission from their international union. In the event a number of local unions are affected, each may send a representative to a meeting at which the decision is made.

There are times when these procedures are ignored. A group of workers may be so enraged by their employer's actions that they walk off their jobs without consulting anyone. Whether a strike is official or a wildcat, it marks the beginning of a conflict in which each side tries to grind the other down.

Injunction

Sometimes a court order, known as an injunction, is issued to prohibit a union or an employer from taking actions a judge believes will unduly injure the other party or the public. For example, injunctions have been used to stop strikes by public employees.

What would you do?

Strikes raise hard questions for those who are not directly involved. What would you do in the following situations?

1. You work in an office where there is a union, but you are not a member. The union goes on a strike. Do you cross the picket line to get to your job? Or do you stay home until the strike ends?

2. You work on an assembly line in a factory. Your union negotiates a new contract. But another union in the plant fails to do so and strikes. Your leaders urge that you join their members in a sympathy strike. Do you follow their advice or do you continue to work?
3. The clerks in the supermarket where you shop strike for higher wages. But the store remains open for business. Do you cross the picket line or do you shop elsewhere?

Boycott

A boycott is a tactic used by a union to force an employer to grant concessions. In a primary boycott, a union urges consumers not to buy a company's product or use its services until it agrees to the demands of the union. In a secondary boycott, the target is a firm that distributes products from the company with which a union has a dispute.

Arbitration

Arbitration is a method of settling a disagreement between a union and an employer over job grievances or the interpretation of a clause in their contract. A neutral third party, an arbitrator, hears the arguments of both sides, then renders a verdict both sides accept. Arbitration may be used to settle disputes in contract negotiations when ordinary negotiations fail.

Shop steward – union steward

The shop steward is an officer of a local union who handles grievances for workers in his own department. In some cases he also collects dues from members. Frequently management permits him to take time from his work to perform these duties. It may even pay him his salary during these periods. Otherwise, his union will reimburse him. He is also known as the company committeeman, since he and the other shop stewards are members of the shop committee.

For Discussion:

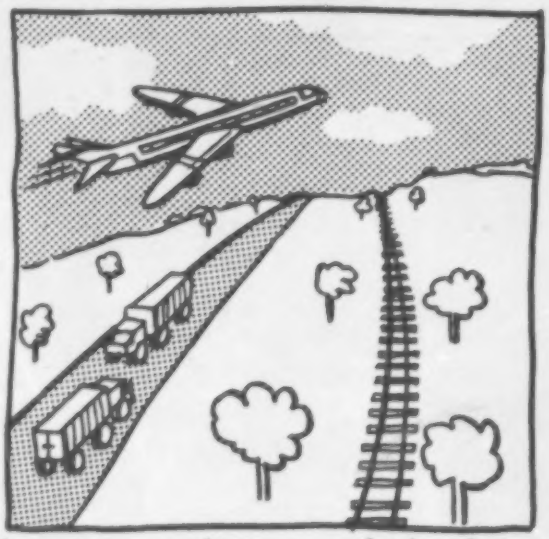
1. How have labor unions changed the living standards of the American worker?
2. What is collective bargaining?
3. What are some possible causes of a strike?
4. What is an injunction? Can you think of a recent situation in which an injunction was issued?
5. Define the following terms:

a. boycott
b. lockout
c. wildcat strike
d. arbitration

UNIT X

TRANSPORTATION

Lesson 1 — Freight Moving Systems



Have you ever stopped to think what would happen to your community if all means of transportation were to come to a complete halt? Farmers and ranchers would be unable to market their grains, milk, livestock, and fruits. Factories would close for lack of materials or because there would be no way to ship their products to other towns and cities. Stores would go out of business because they would have no merchandise to sell.

An individual or a company which is engaged in transporting goods is called a *carrier.* Goods that are transported are called *consignments, shipments,* or *freight.* The person or company making the consignment is known as the *consignor* or *shipper;* and the receiving party is called the *consignee.*

There are two main types of carriers – public and private. Private carriers are usually used by the person who owns them to move his own products or employees. Public carriers are transportation units used by the owner to move goods or people for others and for compensation. Public carriers are divided into two categories, common carriers and contract carriers. Both offer their services to others, but a common carrier is open to the general public, while the contract carrier sells its services to individuals or businesses under contract. Our principal means of transporting freight in America are railroads, trucks, ships, airplanes, and pipelines.

Railroads

Railroads are our principal means of shipping bulky, heavy commodities in large quantities and at a reasonable speed. This is especially true for movement of bulky military items, such as tanks, large trucks, artillery pieces, and various engineering items. Most of our military installations and large factories have railroad spurs leading into their property which will allow rail cars to be loaded at specific areas. Sometimes special rail cars are built to handle business of shippers with special requirements.

Most railroads in recent years have adopted policies of not accepting shipments of less than a full carload. Shippers sending smaller items may turn them over to firms known as freight forwarders, who consolidate many small shipments into a railroad carload.

Trucks

There are three categories of trucks. First, there are the trucks owned by businesses that use them to serve consumers. These are classified as private carriers and include delivery trucks such as laundry and dry cleaning, retail stores, and milk routes. The second fleet is the large number of trucks owned and operated by businesses for their own use. These also are classified as private carriers. The third fleet includes the trucks owned by individuals or by motor freight companies that sell their trucking services. These may be common or contract carriers. Many motor freight lines own thousands of vehicles and operate freight terminals across the country.

Trucks are the railroad's greatest competitor for the shipper's business, especially for short hauls within cities and suburban areas. However, trucks can go long distances, too. The modern system of expressways and toll roads speeds up traffic, cuts delivery time, and reduces the cost of truck operations.

Trucking has a number of advantages. Trucks can go right from the door of the shipper to the door of the consignee. Their time schedules are flexible. Small shipments are accepted and consolidated into truckload shipments. As with the rail cars, special equipment enables the motor fleet to carry almost any kind of cargo.

Waterways

There is a vast network of waterways within the United States, classified as inland waterways. In many instances it is more economical to move cargo by means of ships. Ships carrying cargo between cities along one coast are engaged in what is called coastal trade. Those carrying cargo from Atlantic ports to Pacific ports are engaged in intercoastal trade. International shipping is trade with other countries throughout the world.

The greatest advantage of water shipping is its lower cost, especially to cities which are accessible by water.

Air freight

One of the fastest growing forms of transportation today is air freight. Cargo moved by air freight is usually valuable and vitally needed. At one time, we could only transport small packages, but today with the all-cargo aircraft, up to 35 or more tons may be moved on one plane. Shipments by air between two cities normally will require no more than a few hours.

The user of our air freight system will soon find that it is more expensive than surface modes of transportation, but other things must be considered besides the freight rates. When time is of primary importance, air cargo may be the best method of transportation. A fast shipment of equipment or machine parts may offset higher transportation rates if the operation of a factory is depending on this equipment.

For Discussion:

1. What is the importance of transportation in our economy?

2. What means of transportation is usually used for large, heavy items, such as military equipment?

3. Name the three categories of trucks.

4. What are the advantages of trucks for carrying freight?

5. What are some reasons for shipping by air freight?

Many of our states depend on the tourist trade as a source of income. These states have resort and vacation areas to draw the public's interest. Great numbers of Americans make their vacation or business trips by means of the car every year, while others go by airplane, bus, train, or ship.

The automobile was once a luxury, but today it has changed its status and is considered a necessity. Some families own two or more cars. The car is driven to work, to school, to church, to market, to visit friends and relatives, and for business or pleasure. Short trips in or near our communities usually require little more than a car kept in good condition and a careful and skilled driver behind the wheel. However, for a successful vacation trip, more preparation is required.

Plan your route

Many drivers today, both young and old, cannot read a road map. If their destinations are not near a turnpike, expressway, or interstate highway, they don't know how to get there. Learn to read a road map and use it before your trip to plan the route you will take. Maps will also give you other valuable information, such as mileages between places, classification of roads, tolls, and population of towns.

Oil companies and automobile clubs often offer a service which will plan your trip for you. You tell them your destination, and they give you maps with the best routes marked for you to follow.

Roads
INTERSTATE HIGHWAY SYSTEM AND OTHER SUPERHIGHWAYS
COMPLETED
UNDER CONST.
PROPOSED
REST AREAS
With Facilities
Without Facilities
OTHER HIGHWAYS
PAVED
UNPAVED
DIVIDED
NOT DIVIDED
Connecting Roads (Paved or Unpaved)
RED ROADS. To give maximum clarity to this map only a limited network of principal through routes is printed in red. Many of the blue roads shown offer equally good traveling conditions.
Toll Highway Interchanges
No Connection Between Roads
Interstate Route Numbers
State Route Numbers
U.S. Route Numbers
Secondary Numbers
Mileages
Point to Point
Cumulative
Cities and Towns
Under 500
500 to 2,500
2,500 to 5,000
5,000 to 10,000
Over 10,000
Additional Data
Principal Recreation Areas
Public Campgrounds (Tenting and Trailers)
Public Campgrounds (Tenting only)
Airline Stops
Military Airports
Other Airports
N. J. State Police Stations
Elevation in Feet
Hiking Trails
Points of Interest
See Points of Interest Guide
Ferries, Toll Bridges
County Seats
County Names
County Lines
State Lines
Scale of Miles
ONE INCH EQUALS ABOUT 5.2 MILES
Lambert Conformal Projection
1:329,000
EXXON COMPANY USA
HUNTERDON
SOMERSET
MIDDLESEX
MERCER
BURLINGTON
FORT DIX MILITARY RESERVATION
Philadelphia
TRENTON
Princeton
New Brunswick
Flemington
Levittown
Bristol
Burlington
Willingboro
Mt. Holly
Hightstown
Hopewell
Pennington
Lawrenceville
Morrisville
Yardley
Bordentown
Allentown
Jobstown
Wrightstown
Pemberton
Browns Mills
Mt. Laurel
Moorestown
Cherry Hill
Haddonfield
Merchantville
Pennsauken
Palmyra
Riverside
Delanco
Riverton
Delran
Cinnaminson
Maple Shade
Lumberton
Medford
Vincentown
Buddtown
Magnolia
New Lisbon
Presidential
Willow Grove
Abington
Jenkintown
Cheltenham
Glenside
Roslyn
Bethayres
Rockledge
Melrose Park
Edge Hill
Levittown
Fairless Hills
Tullytown
Florence
Fieldsboro
Hamilton Square
Mercerville
Windsor
Robbinsville
Cranbury
Dayton
Kingston
Rocky Hill
Blawenburg
Skillman
Hopewell
Pennington
Lawrenceville
Washington Crossing
Titusville
Ewing
Trenton
Yardley
Morrisville
Tullytown
Bristol
Croydon
Burlington
Willingboro
Mt. Holly
Lumberton
Medford
Vincentown
Buddtown
Magnolia
New Lisbon
Pemberton
Browns Mills
Wrightstown
Jobstown
Juliustown
Arney's Mount
Birmingham
Fort Dix
McGuire Air Force Base
Fort Pointville
Columbus
Mansfield
Mansfield Square
Georgetown
Jacobstown
New Egypt
Cookstown
Chesterfield
Crosswicks
Ellisdale
Prospertown
Cream Ridge
Imlaystown
New Sharon
Roosevelt
Robbinsville
Windsor
Hamilton Square
Mercerville
Yardville
Allentown
Princeton Junction
Princeton Forrestal Center
Princeton Windsor Corporate Park
Princeton Baptist Medical Center
Princeton Junction
Grover's Mill
Clarksville
Dutch Neck
Cranbury
Cranbury Station
Monmouth Junction
Kendall Park
Franklin Park
Deans
Rossmoor
Prospect Plains
Apgarsgarth
Roosevelt
Hightstown
East Windsor
Meadow Lea
Windsor
Edinburg
Perrineville
Jamesburg
Monroe Center
Helmetta
Spotswood
Old Bridge
Sayreville
South River
Milltown
East Brunswick
Highland Park
Metuchen
Edison
Woodbridge
Iselin
Colonia
Avenel
Rahway
Clark
Linden
Roselle
Roselle Park
Union
Kenilworth
Hillside
Elizabeth
Newark
Irvington
Maplewood
South Orange
Orange
East Orange
Bloomfield
Nutley
Belleville
Kearny
Harrison
Jersey City
Hoboken
Secaucus
Weehawken
Union City
West New York
North Bergen
Guttenberg
Fairview
Cliffside Park
Edgewater
Fort Lee
Palisades Park
Leonia
Ridgefield Park
Little Ferry
Moonachie
Carlstadt
East Rutherford
Rutherford
Lyndhurst
North Arlington
Kearny
Harrison
Newark
Elizabeth
Linden
Roselle
Roselle Park
Union
Kenilworth
Hillside
Irvington
Maplewood
South Orange
Orange
East Orange
Bloomfield
Nutley
Belleville
Jersey City
Hoboken
Secaucus
Weehawken
Union City
West New York
North Bergen
Guttenberg
Fairview
Cliffside Park
Edgewater
Fort Lee
Palisades Park
Leonia
Ridgefield Park
Little Ferry
Moonachie
Carlstadt
East Rutherford
Rutherford
Lyndhurst
North Arlington
Liberty Corner
Pluckemin
Lamington
Bedminster
Bernardsville
Basking Ridge
Mt. Bethel
Watchung
Martinsville
Warrenville
Plainfield
North Plainfield
Dunellen
South Plainfield
Middlesex
Bound Brook
Raritan
Finderne
Somerville
Branchburg Park
Readington
Whitehouse
North Branch
White House Sta.
Annandale
Lebanon
Clinton
High Bridge
Spruce Run Rec. Area
West Portal
Bloomsbury
Pittstown
Mt. Pleasant
Quakertown
Stanton
Sidney
Round Valley Rec. Area
Pattenburg
Juliustown
Spring Mills
Little York
Warren Grove
Springtown
Ferndale
Riverdale
Pompton Lakes
Wayne
Paterson
Clifton
Passaic
Bloomfield
Montclair
Glen Ridge
Bloomfield
Nutley
Belleville
Kearny
Harrison
Newark
Elizabeth
Linden
Roselle
Roselle Park
Union
Kenilworth
Hillside
Irvington
Maplewood
South Orange
Orange
East Orange
Bloomfield
Nutley
Belleville
Jersey City
Hoboken
Secaucus
Weehawken
Union City
West New York
North Bergen
Guttenberg
Fairview
Cliffside Park
Edgewater
Fort Lee
Palisades Park
Leonia
Ridgefield Park
Little Ferry
Moonachie
Carlstadt
East Rutherford
Rutherford
Lyndhurst
North Arlington

Overnight accommodations

On a long trip when overnight stops are necessary, it is important to prepare ahead for these stops. Get a directory from a motel or hotel chain so that you will know what accommodations are offered and their rates. Rates will vary according to the location and quality of the motel or hotel. It is wise to make reservations ahead of time if you will be traveling on holiday weekends or during a busy tourist season.

Budget for your trip

It is important to estimate the total cost of a trip. A wise traveler will first decide just how much he can afford to spend on a vacation trip. He will plan his trip so that it remains within his budget.

You should know from your daily driving how many miles per gallon your car gets. Calculate how many miles you intend to travel on your trip, then divide this figure by the number of miles per gallon your car gets. This determines how many gallons of gasoline you will need to buy. Then multiply the cost of a gallon of gasoline times the total gallons required. For example, if you expect to drive 2090 miles and your car uses 1 gallon of gasoline every 22 miles, your car will consume 95 gallons of gasoline (2090 total miles ÷ 22 miles a gallon). If the average cost of gasoline on your tour is 65¢ a gallon, the cost of gasoline may be estimated at $61.75 (95 gallons of gasoline used x 65¢, cost of one gallon). Other expenses, such as meals and overnight accommodations, may also be carefully planned in advance.

As unforeseen emergencies do arise, you should plan for unexpected expenses somewhere in your budget. Your car might develop mechanical troubles or someone may become ill. Have your car thoroughly checked before you leave. You may save time and money by doing so, because repairs are usually very expensive on the highway. Be sure that you have your driver's license with you, insurance card or policy, and vehicle registration. Plan to make periodic rest stops to prevent weariness.

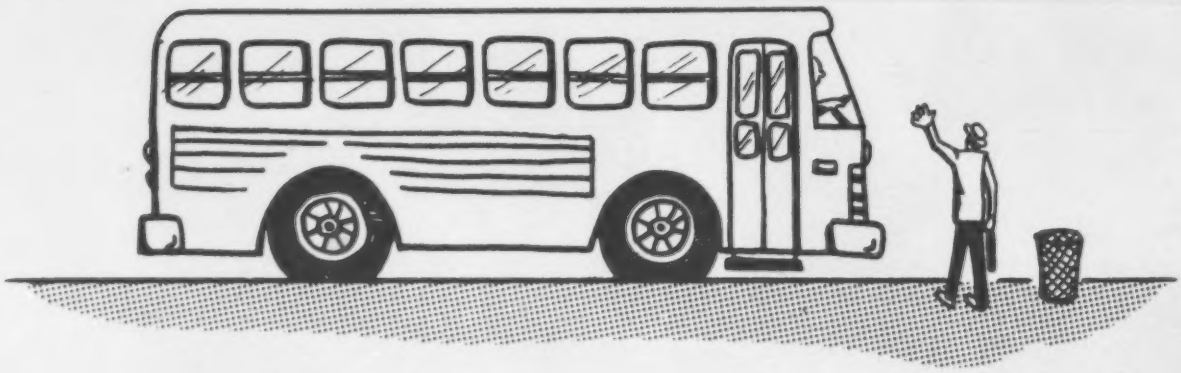
Keep a record of your trip expenses, and on your return home, check it against your trip budget. Include all expenses – gasoline, tolls, meals, lodging, entertainment, and all other miscellaneous expenses.

For Discussion:

1. How would you decide which route to take when planning a trip from New Jersey to Florida?

2. List the expenses to be included in a trip budget.

3. Why should you keep a record of your trip expenses?



Many people do not own or drive an automobile. They depend entirely upon commercial transportation for their travel requirements. The main methods of commercial transportation are: buses, trains, airplanes, and ships. We shall concern ourselves mostly with the first three.

During the past few decades, Americans have traveled more by cars, buses, and airplanes, and less by train. Air travel, in some instances, is cheaper than rail for long-distance trips. On the train, you pay extra for your meals and sleeping accommodations. On a plane, your meals are included in your fare.

The method of travel you select will depend on personal preference, distance to be traveled, services available, and the cost. To make a wise decision, compare all modes of transportation to your destination. One way to obtain the required information is through a travel agent or by contacting ticket offices of various transportation companies.

The timetable

A timetable is a printed form giving schedules, services, and fares of a transportation company. Every railroad, bus line, steamship line, and airline publishes timetables in small folders or booklets.

Part of a train timetable is shown on the next page.

BOSTON - PROVIDENCE - WORCESTER - SPRINGFIELD - HARTFORD - NEW HAVEN - NEW YORK - NEWARK - TRENTON - PHILADELPHIA - WILMINGTON - BALTIMORE - WASHINGTON

(Eastern Time)

Train Number →		111	211	113	481	169	115	91	213	117	483	171	165	119	219
Train Name →		Metro-liner		Metro-liner		The Patriot	Metro-liner	The National Limited		Metro-liner		The Southern Crescent	Yankee Clipper Turbo	Metro-liner	
Frequency of Operation →		Daily	Daily	Daily	Mo thru Fr	Daily	Daily	Daily	Daily	Sa thru Fr	Daily	Daily	Daily	Daily	Daily
Type of Service →	Miles from Bos	⊟☕		⊟☕		⊟☕	⊟☕	⊟✕🏛		☕		⊟☕🏛	⊟	☕	⊟
BOSTON, MA (South Sta.)....Dp	0					8 00 a						10 00 a	11 00 a		
BOSTON (Back Bay Sta.).....	1					r 8 05 a						r10 05 a	r11 05 a		
Route 128, MA.....	12					8 18 a						10 18 a	r11 15 a		
PROVIDENCE, RI.....	44					8 54 a						10 54 a	11 44 a		
Kingston.....	71					↓						↓	↓		
Westerly, RI.....	83					↓						↓	↓		
New London, CT.....	106					9 53 a						11 53 a	12 34 p		
Old Saybrook.....	124					↓						12 14 p	↓		
Newtonville, MA ⊕.....	8					↓						↓	↓		
Wellesley ⊕.....	15					↓						↓	↓		
Framingham ⊕.....	21					↓		Thru				↓	↓		
WORCESTER.....	44					↓		train				↓	↓		
SPRINGFIELD, MA.....	98				9 00 a	↓		to				↓	↓		
Thompsonville, CT ⊕.....	106				9 12 a	↓		Kansas				↓	↓		
Windsor Locks ⊕.....	111				9 20 a	↓		City				↓	↓		
Windsor ⊕.....	117				9 29 a	↓						↓	↓		
HARTFORD.....	123				9 45 a	↓		Thru			11 50 a	↓	↓		
Berlin.....	133				9 58 a	↓		Sleeping			12 03 p	↓	↓		
Meriden.....	141				10 09 a	↓		Car to			12 14 p	↓	↓		
Wallingford.....	147				10 20 a	↓		Los			12 25 p	↓	↓		
NEW HAVEN.....Ar	157				10 40 a	10 45 a		Angeles			12 45 p	12 56 p	1 25 p		
NEW HAVEN.....Dp	157				↪	10 55 a					↪	1 00 p	1 25 p		
Bridgeport.....	174					↓						ⓓ1 19 p	↓		
Stamford, CT.....	197					↓						ⓓ1 42 p	↓		
Rye, NY.....	206					ⓓ1146 a						ⓓ1 56 p	↓		
NEW YORK (Penn. Sta.).....Ar	233					12 25 p						2 35 p	2 55 p	↪	
NEW YORK (Penn. Sta.).....Dp	233	11 30 a	11 45 a	12 30 p		12 40 p	1 30 p	1 35 p	2 00 p	2 38 p		3 00 p		3 30 p	4 00 p
NEWARK, NJ (Penn. Sta.).....	243	r11 42 a	12 00 n	|		12 55 p	r 1 42 p	1 50 p	2 15 p	r 2 42 p		3 15 p		|	4 15 p
Metropark (Iselin).....	256	↓	12 16 p	r12 56 p		↓	↓	↓	r 2 31 p	↓		↓		↓	↓
New Brunswick.....	265	↓	12 27 p	↓		↓	↓	↓	↓	↓		↓		↓	4 30 p
Princeton Jct (Princeton 9).....	280	↓	12 43 p	↓		↓	↓	↓	↓	↓		↓		↓	4 50 p
TRENTON, NJ.....	290	12 17 p	12 54 p	↓		1 40 p	↓	2 35 p	3 04 p	↓		4 01 p		4 15 p	5 05 p
North Philadelphia	318	|	d 1 25 p	↓		|	3 03 p	d 3 34 p	↓		4 30 p		|	d 5 30 p
PHILADELPHIA, PA (30th St. Sta.)	323	12 46 p	1 35 p	1 47 p		2 17 p	2 43 p		3 45 p	3 43 p		4 44 p		4 42 p	5 40 p
WILMINGTON, DE.....	350	↓		2 11 p		2 44 p	3 06 p			4 06 p		5 13 p		5 07 p	
BALTIMORE, MD (Penn. Sta.)....	419	1 57 p		2 58 p		3 45 p	3 53 p			4 53 p		6 13 p		5 54 p	
Capital Beltway, MD.....	449	|		d 3 21 p		|	d 4 16 p		|		|		d 6 17 p	
WASHINGTON, DC.....Ar	459	2 29 p		3 34 p		4 25 p	4 28 p			5 29 p		6 53 p		6 39 p	

Notice that the trains are listed by number, and in some cases by name as well. The frequency of the trains is also shown – whether they are daily or only on certain days of the week. The symbols under "Type of Service" tell you whether the train offers first-class service, dining car, liquor service, etc. If you had a complete timetable, it would include an explanation of the meaning of all such reference marks.

Time zones in America

In the United States, there are four standard time zones – Eastern time, Central time, Mountain time, and Pacific time. There is one hour's time difference between each time zone. For example, when it is 10 o'clock Eastern time, it is only 9 o'clock Central time, 8 o'clock Mountain time, and 7 o'clock Pacific time. Airlines, railroads, and buses use the time of the part of the country through which they are passing. In most parts of the country, clocks are set forward one hour during summer months. This is called daylight savings time.

Airline travel

Most airlines offer two classes of service – first class and coach. Some airlines carry a third class of service known as economy fare or thrift fare. Coach class is much cheaper than first class, and if you do not mind night flights, the night coach fares may be even cheaper than day coach. The seats in the first class section are in the front of the plane and are roomier than the coach seats. The meals for the different classes will vary slightly. Some of the economy flight services do not include meals.

Lower fares are paid for a child under the age of 12 years. Special family fares are offered by many airlines certain days of the week. There are off-season rates, students rates, and group rates.

Train travel

Most trains provide two classes of service – first class and coach. The person who rides first class on the train does so because he desires to use a Pullman car. Pullman cars have different types of sleeping accommodations, such as upper and lower berths, drawing rooms, compartments, and roomettes. First-class service also includes comfortable lounge cars. Most people go by coach. The coach seats can be tipped back for sleeping. Coach passengers may buy sandwiches or may buy their meals in the dining car along with the first-class passengers.

Bus travel

Our buses today are quite modern. They are often equipped with air-conditioners, upper-level lounges, and rest rooms. Their seats recline to provide comfortable sleeping positions. Bus transportation is dependable, comfortable, and usually will cost less than train or air fare. Food is not provided by bus lines, but they do make rest stops where there are eating facilities available. With the decline in local train service, buses are becoming more popular as a means of travel between small towns and cities.

Purchasing your ticket

It is a good policy to purchase your ticket in advance. By doing so, you will guarantee yourself a space and avoid last-minute rushing. Although a specific space is not reserved on an airplane at the time the ticket is purchased, the number of passengers is limited to the number of seats available on the airplane. A last-minute attempt to purchase an airline ticket might leave you stranded at the airport.

Space in Pullman cars, and all space on some trains, are sold on a reserved basis. For these reservations it is usually necessary to get your ticket well in advance. Tickets on buses are usually not reserved or limited in number, so tickets may be bought at the last minute.

In the event that you do not use the rail, bus, or airline ticket that you bought, it can be returned to the transportation company and the amount paid for it returned. Information about refunds may be obtained from the local ticket office.

For Discussion:

1. When you are planning a trip, how can you get information about the different methods of transportation?

2. When it is 4 o'clock p.m. in the Eastern time zone, what time is it in the Pacific time zone?

3. What are the differences between first class and coach service on an airplane?

4. Use the timetable on page 169 to answer the following questions.

   a. If you left Boston on train #169 at 8 a.m., what time should you arrive in Washington, D.C.?

   b. How many stops does this train make?

   c. How long does the train stay in New York?

UNIT XI

COMMUNICATION

Lesson 1 — The Telephone

Throughout history people have tried to communicate with others by sending messages over distances. At one time, the Pony Express was considered the fastest means of communication across the western part of the United States. It carried mail from Missouri to California, a distance of 1960 miles, in 10 days.

Today we can communicate quickly with people in any part of the world. Through our fast trains, airplanes, and motor vehicles, our mail travels between cities or across the country in a matter of hours instead of the weeks or months required in the early days of our history. An automobile driver may talk with another person miles away while he is operating his car. The jet pilot may communicate with someone on the ground thousands of feet below him. A passenger on a ship may converse with a person on shore. By means of television, we are able to see historical events as they are happening.

The telephone

The telephone has been in existence for less than 100 years. Most people have become so accustomed to using it that they would be lost without it.

Although everyone uses the telephone, not everyone uses it properly or to the best advantage.

The telephone directory

The directory is divided into two parts: an alphabetic section and a classified section, commonly known as the "Yellow Pages." The classified section is used when you want to find a specific kind of store or service such as a television repairman or a plumber. If you are looking for someone to fix your television set, you should look under the heading "Television Repairs" in the classified section, read the names of the dealers, then select one to call.

If you cannot find the desired number in the directory, then you must seek help by calling "Directory Assistance." You should consult your directory for instructions about how to do this properly. It is worthwhile to study the directory carefully and note the information on how to dial, how to make long distance calls, (station-to-station or person-to-person), whom to call in cases of emergency, and how to send telegrams or cablegrams by telephone.

How to place a call

Lift the receiver and listen for a dial tone (a steady humming sound). This tone informs you that the dial switches are ready to receive your call. Then dial your number. Once you have completed dialing, you should receive a soft burr-ring sound indicating that your number is ringing. However, if you receive a steady buzz-buzz, the line is busy, and you should hang up and dial again in a few minutes. If the number no longer exists, has been changed, or is out of order, you will be so informed by the operator or by a recorded voice. When you call from pay phones, be sure to read the directions posted on the telephone, because not all pay telephones use the same methods of operation.

How to answer and talk on the telephone

Answer your telephone without unnecessary delay. The proper way to answer a business telephone is to give the name of the business. A person may also answer a home phone by giving his/her name, although some people prefer not to do this.

Remember that courtesy is important on the telephone as it is in all our relationships with others. Good manners and a pleasant voice add to your telephone personality and prevent misunderstanding. Remember to talk directly into the mouthpiece and as clearly as possible.

Types of service

A subscriber usually has a choice of a private or a party line. The private line consists of only one subscriber, while there are two or more subscribers on the party line. Courtesy should always be displayed when a person uses a party line. He should immediately hang up if he lifts the telephone to make a call and hears someone else

talking. Whenever you use the line, make your conversations reasonable in length. Give up the line immediately if you are informed that there is an emergency and the line is urgently needed. Not releasing the line for emergencies could cause you to be held responsible for damages.

Long distance calls

A long distance call is any call made to a telephone outside the local exchange's limits. The person making such calls must pay an extra charge for each 3 minutes or fraction thereof that he talks. Long distance calls are classified as *person-to-person* or *station-to-station.*

To complete a person-to-person call, you must give the operator the name of the person you are calling. Charges do not begin until that person starts to talk. If the person being called cannot be reached, you will not be charged for the call. The rates for a person-to-person call are much higher than for a station-to-station call. On a station-to-station call, charges begin when the telephone is answered at the other end. It is assumed that when you place this type call, you are willing to speak with anyone. For station-to-station calls, you do not need the operator's assistance unless it is a collect call. You dial the call yourself by dialing the area code number and then the number itself. The rates charged for a long distance call also depend on the time of day and the day of the week. The lowest rates are between 11 p.m. and 8 a.m. on weekdays, all day and all night on Saturdays, and up to 5 p.m. on Sundays. On your monthly telephone bill the long distance calls are listed and charged separately from the regular fixed rates.

Collect calls

A collect call is one which will be charged to the person you are calling. The operator gives your name to the person called and asks if he will accept the charges. If he accepts, he will be billed for the call.

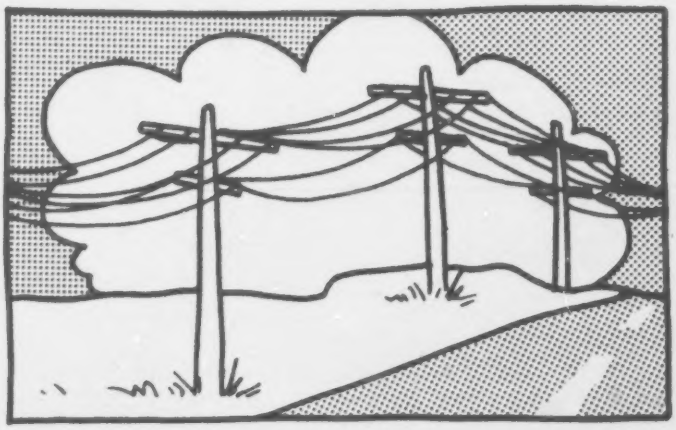
For Discussion:

1. When should you use the classified section in the telephone directory?

2. If the number you are looking for is not in the directory, what should you do?

3. What is the difference between a person-to-person call and a station-to-station call? Which is more expensive?

4. How do you place a collect call?



Through the use of telegraph service, you can send a written message rapidly to someone in other parts of the country or world. Business firms as well as our government frequently utilize telegraphic communication in the conduct of the nation's business, and goods and services are often ordered by means of the telegraph.

There are four classes of telegraphic service – the full-rate telegram, day letter, night letter, and mailgram.

1. A full-rate telegram is sent immediately after it is received by the telegraph office. In some cases a messenger will deliver it, but usually the message will be telephoned. When a message is telephoned, you may request that a copy be mailed to you. Charges will depend on distance and length of the message. The minimum charge for this type of message is for 15 words, and longer messages are charged extra for each additional word.
2. Night letters are accepted any time during the day or night until 2 a.m. for delivery the next morning. Messages sent during the night at low night rates are known as night letters. The minimum charge is made for a 50-word night letter. For additional words in excess of 50 words, an additional charge is made for each group of 5 words or less.
3. Day letters are messages that do not require immediate delivery service, but are faster than regular mail. A day letter can be expected to be delivered within 1 to 3 hours after it has been sent out. Rates for a day letter are based on a 50-word minimum with extra charges for each additional group of 5 words or less. Day letters cost approximately a third of the cost for a full-rate telegram and are usually held until the telegraph office is not busy sending full-rate telegrams.

4. A mailgram is the least expensive way to send a message by telegraph. It can contain up to 100 words. It is transmitted to the major post office closest to its destination. If they receive it by 7 p.m., it will be delivered the following day by regular mail.

How to send a telegram

To send a telegram it is not necessary for you to go to the telegraph office; you may send it by calling on the telephone. Your message will be sent on to its destination and delivered either by messenger or telephone. You will be billed for the telegram on your monthly telephone bill. In cases where your message is being sent to a business office, it may be delivered to that office by a special wire.

If you do go to the telegraph office, you will be provided with blank message forms. Choose the kind of service you want and indicate your preference in the upper left corner of the message form. If you are telephoning the message, you will be asked what kind of service you desire. Remember, as discussed earlier, you are billed according to the number of words used and you must pay extra for words over the minimum number.

A telegram may be sent collect, and the amount charged will be paid by the receiving party. However, if this party refuses to pay for it, then the sender must pay the telegraph company. A prepaid message is one that is paid for at the telegraph office or billed to your telephone. When you send it, you give the telegraph company your name, address, and telephone number. You do not have to call from your own telephone or even from the city in which you live.

Remember, when preparing a telegram you should make it as brief as possible as you are being charged according to the number of words in your message. However, never make it so brief that it cannot be understood. Make sure the meaning is clear. Whether you send a telegram by telephone or by going to the telegraph office, the contents should be read back to you to prevent any errors.

Telegraphic money orders

Money orders may be purchased and sent by telegraph as well as through the mail. For example, if your parents wanted to send you some money, they would pay the telegraph company the money. A telegram would then be sent directing your local telegraph office to pay you the specified amount of money.

A fee for telegraphic money order service is charged depending on the amount being sent. There will also be a charge for any message accompanying the money order. The person sending the money may request that the payee positively identify himself before any payment is made. The sender may include at no charge in the telegram a test question that a stranger could not answer – for example, "What is my mother's maiden name?" · Night money orders are sent at a reduced rate, and a 10-word message is included without extra cost.

For Discussion:

1. What are the four classes of telegraphic service?

2. How do you send a telegram?

3. How can you send money to someone by telegraph?

4. Explain the use of a test question for identification.

The United States Postal System is a large operation. Daily mail carriers deliver letters, magazines, catalogs, packages, or other kinds of mail directly to our homes or businesses. We take mail service for granted and do not realize how much we depend on it in our personal and business lives.

Congress establishes the postal rates. However, postage does not cover the full cost of mailing services. Federal tax monies make up the difference.

Classification of mail services

Mail distribution within America and her possessions is called domestic mail, and mail to other countries is known as international mail. We find that domestic mail is divided into four classes – first, second, third, and fourth class (parcel post). The service you receive and the postage you pay differ in each of the classes.

1. **First-class** mail is the most expensive. All handwritten or typed matter, such as business or personal letters and postcards, must be sent first class. Packages may also be sent first-class if you are willing to pay the high cost per ounce. This type of mail is sealed and may not be opened by anybody in the postal department unless it cannot be delivered as addressed or returned to the sender. First-class letters are sent by the fastest means possible. Those going any great distance within the country are sent airmail. It is no longer necessary to buy a special airmail stamp to make sure that a letter will go by airmail from one part of the country to another. Higher airmail rates still apply to mail going to other countries.
2. **Second-class** mail consists of newspapers and other publications that are mailed at least four times yearly to a list of members or subscribers. Special mailing rates are given to these publishers. Rates for second-class mail vary according to weight and type of publication and distance to be sent. A permit must be obtained to use this class of mail.

3. **Third-class** mail includes printed materials and merchandise parcels weighing less than 16 ounces. It is used mainly by businesses for advertising and by community organizations for large mailings.
4. **Fourth-class** mail is better known as *parcel post* and includes all packages weighing a pound or more. Rates depend on weight of the package and distance it is sent. There are special rates for books, records, and educational materials.

Other postal services

Numerous special services are offered by the post office to enable you to receive some of your mail more quickly or with greater protection than regular mail. Some such services are registered mail, certified mail, and special delivery. These apply to first-class mail only.

1. **Special Delivery** is a service which provides for prompt delivery at destination. A special mail carrier will deliver the letter even if there is no other regular mail delivery scheduled. Special Delivery may be purchased on all classes of mail.
2. **Registered mail** is the safest way to send valuables and important documents. You declare the full value of your mailing, and you receive insurance protection up to $10,000. You are given a receipt and the movement of your mail is controlled throughout the postal system. A registered letter or package can only be signed for by the person it is addressed to. If you want proof of receipt by the other party, request a return receipt, which will only cost you a few cents more.
3. **Certified mail** gives you a mailing receipt and a record of delivery at the addressee's post office. It does not travel faster than first class, and it does not provide payment for loss. Fees for certified mail are lower than those for registered mail. For a small additional fee, you can request a return receipt.

Change in address

Whenever you move from one location to another, you should notify your local post office. When you file a change-of-address card with your local post office, all first-class mail will be forwarded to your new location. Change-of-address cards are available at all post offices.

If you move within the jurisdiction of the same post office, all classes of mail will be forwarded to you. However, mail other than first-class will only be forwarded to another post office if you are willing to guarantee the expense of forwarding.

For Discussion:

1. What are the four classes of mail service, and what is included in each?

2. Explain the following terms:
   a. special delivery
   b. registered mail
   c. certified mail

3. If you move to another city, how do you arrange for your mail to be forwarded to your new address?

UNIT XII
YOU AND THE LAW

Lesson 1 **Why Learn About the Law?**

Most young people at one time or another come in contact with the law or with persons in positions of authority. When a student is called to the principal's office, or when a juvenile is taken into custody by a policemen or is called to appear in court, the question of what his or her rights and liabilities are can be very important. However, legal education should start long before the actual contact with authorities takes place. When a person is informed of his rights following an arrest, or a superintendent of schools explains the conditions of a student's suspension, it is rather late in the game to begin finding out how the system works.

No society can last long without some kind of legal system. Even dictators claim to follow legal rules. Under our Anglo-American system, laws are a restraint on both government and people. Law reflects society. A simple rural community might need relatively few laws. A complex industrial society such as ours needs a complicated legal framework, which in turn creates a need for persons specially trained in the law. These people are judges and lawyers. What they do is not mysterious. Every citizen owes it to himself to have some knowledge of the essentials of law and our legal system. All the laws under which you live and work exist somewhere, in black and white. Ignorance of the law is no excuse for breaking it.

For Discussion:

1. What do you think it would be like to live in a country without any laws?

2. Why is it a good idea to have some basic knowledge about our legal system?

IT IS A CRIMINAL OFFENSE TO PUT SALT ON ANY RAILROAD TRACK IN ALABAMA.

IT IS FORBIDDEN TO CUT THE TAIL OF ANY HORSE IN THE DISTRICT OF COLUMBIA.

A SOUTH CAROLINA STATE LAW FORBIDS PEOPLE TO CRAWL AROUND IN THE SEWERS WITHOUT A WRITTEN PERMIT FROM THE "PROPER AUTHORITIES."

A LAKE CHARLES, LOUISIANA, LAW MAKES IT ILLEGAL TO LET A RAIN PUDDLE REMAIN IN YOUR FRONT YARD FOR MORE THAN TWELVE HOURS.

Civil law includes rules relating to contracts, personal injuries, real estate, and other rules regulating relationships between people. You have certain rights under civil law, and when your rights are violated, you can bring suit in court. If you win, you can collect money.

Negligence lawsuits result from the failure to exercise ordinary care. You can initiate a lawsuit for damages suffered because of negligence. Negligence can be either a careless act, such as driving your car in an unsafe manner, or a failure to act, such as failure to put up a fence around a swimming pool.

Contract lawsuits are for failure to carry out the terms of an agreement.

What is a contract?

A contract is a legally enforceable agreement between two or more persons involving mutual promises to do or not to do something. For example, one person agrees to deliver goods and the other person agrees to pay a certain amount of money for the goods. The law of contracts is the area where law and business most often meet and where the courts try to protect you in your business dealings by giving you legal weapons against those who fail to honor their agreements with you. Because we do business in so many ways, there are many kinds of contracts. The three general classifications are:

1. Oral contract – Spoken agreement between two or more persons.
2. Written contract – Written agreement between two or more persons.

3. Implied contract – Contractual obligations you undertake without ever mentioning the word contract or agreement. For example, when you enter a restaurant and order dinner, you became just as legally obligated to pay the owner as though you had signed a contract to do so.

The most important thing to remember when entering into a written contract is to know what you are signing. Read it carefully first. After you have signed a valid contract, you will be expected to live up to all the terms of the contract.

Door-to-door sales

In the past many consumers have been stuck with items purchased from door-to-door salesmen. They may have found either that the merchandise was of inferior quality, or that the same items could have been bought at a nearby retail store at a lower price. Also, they have sometimes found that the rates of interest charged by these door-to-door salesmen are very high. However, there is now a law that protects the consumer against such things. He can reconsider and break the contract if he acts before 5 o'clock p.m. of the third business day following the day on which the contract was signed.

This applies to any purchase or contract amounting to $25 or more, if the sale was made in your home or any other place other than the seller's place of business. It does not apply to appliance repairs which you called for, insurance salesmen, or goods you ordered by telephone or mail.

The seller must give the buyer a "notice of cancellation" attached to the contract or sales receipt. To cancel, the buyer must sign, date, and mail this notice within the required three days. He should read the notice carefully to make sure he complies with all the requirements.

Important tips about contracts

Before you sign any contract, check it for the following:

1. If money is involved, what is the total amount you have to pay? When do you make payments, where, and how much is each payment?
2. If buying on credit, who legally owns the property?
3. What happens if you are late or miss a payment?
4. Are all promises made in writing in the contract, and are there any blank spaces where something can be entered later after you have signed it?
5. Have you read the front and back to be sure that parts not pertaining to you have been changed or are crossed out; and that all changes or additions in the contract have been signed or initialed by the person you are dealing with?

These are your legal rights; do not slight them. Take your time and read the contract. If you are not sure of certain parts of it, ask if you may take it to a lawyer for legal interpretation. If the seller is unwilling for you to do so, then you do not want to deal with him.

For Discussion:

1. How would you define *civil law*?

2. What is a contract? Can you give an example?

3. What is meant by an *implied* contract?

4. Before signing a contract, what should you do?

5. If merchandise that you purchased from a door-to-door salesman turns out to be faulty, what can you do about it?

What is crime? A crime is an act against society defined and made punishable by law. To this definition two things should be added. A crime is not a crime if it is committed by someone who is declared to be "legally incompetent", which is usually the result of a mental condition such as subnormal intelligence, insanity, senility, or addiction to alcohol or drugs. A person who is legally incompetent cannot tell the difference between what is right and what is wrong. And a crime is not a crime unless, at the time it was committed, a law was in effect saying that the offense was a crime. If the speed limit in your town has been 40 miles an hour but by statute is lowered to 25, effective at some future date, you may continue to travel at 40 until that date.

You may have heard the term "tort" used in connection with the law. There is a difference between a tort and a crime. A tort is a civil wrong against an individual. A crime, on the other hand, is an offense against the public at large, or the state. An automobile driver who carelessly bumps into your car in a parking lot and dents the fender has committed a tort against your property. Because the law recognizes your legal right to freedom from injury to your property caused by other people's carelessness, you are entitled to sue the driver and be awarded damages for his breach of your right. But he has committed no crime.

Let us suppose that this same driver, after leaving the parking lot, goes to a nearby bar, downs six or seven shots of whiskeys, then careens through a crowded city street at sixty miles an hour. Now he has committed at least the following crimes: drunken driving, reckless driving, and endangering the lives of others. But unless he actually damages another car or injures someone, he has not violated the rights of any individual. His offenses are against the people as a whole. For these offenses he may be arrested and prosecuted by the state.

Of course, an act may be both a crime and a tort. A driver who drives so fast down a street that he loses control of his car, runs up on the sidewalk, and smashes into your store, would doubtless be prosecuted for one or more criminal offenses. However, you would also have your own right to sue him for damages to your property. In theory, the public prosecutor has no choice but to have the driver arrested and charged with the commission of a crime, if only for reckless driving.

Classification of crimes or offenses

Offenses with which criminal law is concerned fall into different classifications – felonies and misdemeanors, both of which are crimes and leave a person convicted of them with a criminal record; and violations, which are not crimes although they are punishable offenses.

Felonies

Felonies are generally described as offenses that are punishable by death or by imprisonment in a state or federal prison. Sometimes felonies have been referred to as capital crimes or infamous crimes. Some of the most common felonies are murder, rape, arson, burglary, and treason.

The severity of punishment is greater for a felony than for a misdeameanor. Another important difference between felonies and other lesser offenses is in the right to trial by jury.

Misdemeanors

Misdemeanors are offenses which are regarded as crimes, but which are less dangerous to society and which carry a lighter penalty than felonies. Society throws fewer protections around those accused of misdemeanors and violations. Suppose you start a fist-fight with your neighbor and punch him in the mouth. This would be considered a misdemeanor. If he calls the police and you are summoned to appear before the local magistrate the next morning, you will not be offered a jury trial as you would in the case of a felony.

When you leave your car too long in a restricted parking area, you have committted a violation, but the worst thing that can happen to you is that a policeman or meter maid might issue you a summons directing that you pay the appropriate fine by a stated date. In the case of your fist-fight with your neighbor, your summons orders you to appear in court on a certain date at a certain time, "to answer the charges against you." If you ignore such a summons, the judge will probably fine you for contempt of court.

Crimes against the general welfare

Crimes or offenses such as treason, sedition, conspiracy, and perjury are known as offenses against judicial authority and the general welfare of the people of our nation.

1. Treason – betrayal of your country; helping your country's enemies.
2. Sedition – action or speech causing discontent or rebellion against the government of your country.
3. Conspiracy – planning with others to do something illegal.
4. Perjury – swearing that something is true when you know that it is false.

Crimes against your person

Since crimes in this cateogry are numerous, we will only cover the ones that we hear most about. We will concern ourselves with homicide, murder, manslaughter, suicide, rape, assault and battery, mayhem, kidnapping, larceny, robbery, and receiving stolen property.

1. Homicide – The killing of one human being by another. This is considered by our society as the most serious of all crimes. There are three major categories of homicide: criminal homicide, negligent homicide, and innocent homicide (better known as justifiable or excusable homicide).
2. Murder – The unlawful, intentional killing of one person by another. Murder in the first degree is either an intended killing that was planned beforehand or a so-called felony murder. A felony murder is one committed during a felony, such as rape, robbery, arson, or burglary. Murder in the second degree is a killing also motivated by malice, but the intent to kill did not exist until just before the murder.
3. Manslaughter – killing a person unlawfully, but without intent. Voluntary manslaughter is a killing in which there was no intent until just before the act which was not motivated by malice, and for which there was some provocation. Involuntary manslaughter is a killing in which there is no malice, but which might have been avoided. This offense is often committed during the perpetration of a misdemeanor.
4. Suicide – killing oneself intentionally.
5. Rape – forcible sexual attack by a man of a woman, other than his wife, without her consent and against her will. Statutory rape is a sexual relationship between a man and a girl below the "age of consent." The age of consent is usually 18 years old; however, this will vary depending upon the state.

6. Assault and battery – An assault is a threat to use force on another person; the actual use of force is a battery. Assault and battery are both torts and crimes, which means that the victim has a right to sue his assailant and the state may also bring action for the offenses.
7. Mayhem – the malicious maiming or injuring of a person.
8. Kidnapping – the act of taking or stealing away a man, woman, or child through force or fraud and keeping him against his will. It is one of the gravest of offenses, and some states call for a penalty of death.
9. Larceny – taking and carrying away someone else's property, without his consent.
10. Robbery – taking something from a person by violence or intimidation. The element of force is the difference between robbery and simple larceny.
11. Receiving stolen property – accepting property acquired by larceny or robbery. It is generally a felony, depending in some states on the value of the property that was stolen.

Your rights under the law

The law has many safeguards to protect your rights. For example, a policeman can search you only if he has an authorizing warrant (want order), or has good reason to believe you have broken the law. Get a receipt if he takes anything from you. The police can search your home or car if you give permission or if they have a search warrant.

If you are arrested, you have these rights:

1. To hear the charges against you. The police must tell you exactly what you are accused of.
2. To remain absolutely silent. If you refuse to talk, that fact cannot be used against you in court later.
3. To refuse to sign anything except a release slip if you are released on your own recognizance (set free without bail on your agreement to return at the court's direction).
4. To call a lawyer or family or friend, and to arrange for bail as soon as you are brought to the police station.
5. To speak to a lawyer before you are questioned and have him with you during the questioning.
6. To get a receipt for anything taken from you.
7. To receive a prompt trial, if there is to be one.

In a criminal court

Under United States law, you are presumed innocent until proven guilty "beyond any reasonable doubt." If you are arrested, there are four steps followed before the trial:

1. **Arraignment** in court to be formally charged with crime and asked of guilt. You have the right to have a lawyer with you or to remain silent until you do. If you cannot afford a lawyer, the judge will appoint one. You can ask for a continuance (postponement) if not ready to answer the charge. You may plead guilty, not guilty, or stand mute.
2. **Bail**. The judge sets a sum of money which you can put up in order to be released until trial. You can get bail from professional bondsmen at a small cost. Police will give you a list of names of bondsmen.
3. A **preliminary hearing** is held by a court to determine if there is enough evidence for a trial to be held. Have a lawyer or ask for a postponement to get one. You may call witnesses and question people who give evidence against you.
4. **Grand Jury**. If the preliminary hearing shows that there is enough evidence for a possible trial the case is sent to the grand jury. This is a jury of up to 23 persons chosen to investigate all evidence and to decide whether there is enough reason to bring an *indictment* (accusation) against the person charged with committing the crime. You do not have to appear before the grand jury if your lawyer does not think it is a good idea.

Trial by jury

If you are indicted by the grand jury, and if you do not plead guilty, your case will be brought to trial. In some cases, your lawyer will arrange with the *prosecutor* (the lawyer for the state) for you to plead guilty to a lesser charge in hopes of receiving a lesser penalty. This is called *plea bargaining*.

If your case goes to trial, a jury will be selected by the lawyers representing each side. In a civil case the jury may be composed of six or twelve persons; in a criminal case it is made up of twelve persons. Evidence is presented by both sides and witnesses are questioned. You as the defendent are not required to testify.

At the end of the trial, both lawyers make closing statements to the jury. Then the judge *charges* the jury by telling them what the law is and how it relates to the facts of the case. He also makes sure that the jury knows they must establish your guilt *beyond any reasonable doubt*.

In a criminal case, the jury's verdict must be unanimous – that is, the jurors must all agree on their decision. In a civil case the verdict does not have to be unanimous. State laws specify the size of the majority needed in civil cases.

If the jury finds you guilty, the judge will set a date for sentencing. You may file an *appeal* to have your case heard by a higher court if your lawyer feels there is good reason to do so.

The lawyer

If you have legal troubles, your best friend is a lawyer. Law is a complicated subject, and you need expert help to protect your rights. Tell your lawyer the truth, even if it looks bad. He takes an oath to keep what you tell him confidential.

What is a lawyer? Lawyers fill many roles. Some are primarily advisors to private individuals to help them manage their personal affairs; others are experts in specialized fields; still others concentrate on trial work. Three of the most familiar kinds of lawyers are described below:

1. The family lawyer: The so-called family lawyer is a generalist in much the same sense as the old family doctor. He advises his clients on matters such as leases, contracts, the purchase and sale of real estate, divorce, adoption, wills, and many other problems that normally arise in an ordinary lifetime. He is considered a friend and counselor in time of trouble.
2. The trial lawyer: Although many successful lawyers never appear in court, some individuals and firms make a specialty of representing parties in court. The trial lawyer does not limit himself to courtroom work, but his greater experience in it often makes him more skillful than a laywer whose major interest lies elsewhere. Some courtroom experience is valuable to any lawyer, regardless of his special field.
3. The corporation lawyer: He is a salaried employee of a company. He specializes in whatever fields of law are of particular importance to his company. A lawyer working for a publishing company might be particularly strong in areas of copyright law, libel, plagiarism, and the interpretation of royalty contracts. He may or may not become involved in courtroom work.

Getting a lawyer

When do you need a lawyer, and how do you get one? You need a lawyer if you are being sued or arrested, being divorced, buying or selling real estate, or making out important papers, such as wills, deeds, or contracts.

To find a lawyer, you may ask the local bar association to give you a list of experienced lawyers for your kind of case. Or you may ask a friend who has used a lawyer in a case similar to yours. In cases where you cannot afford a lawyer. Legal Aid Societies provide free or low-cost help. They have offices in many communities throughout the United States. Also, help may be obtained through Legal Service programs. You may get help at a low cost from the Lawyer's Referral Service in your area.

If you are charged with a crime and cannot afford a lawyer, the judge will get one for you. The one he gets usually is a member of an organization known as the Public Defender's Association.

For Discussion:

1. What is a crime? How is it different from a tort?

2. What is the difference between a felony and a misdemeanor? Give examples of each.

3. Name five rights which you have if you are arrested.

4. Define the following terms:
   a. arraignment
   b. bail
   c. preliminary hearing

5. What does the grand jury do?

6. Discuss the roles of the following people during a trial:
   a. prosecutor
   b. defendant's lawyer
   c. jury
   d. judge

7. How would you choose a lawyer? If you cannot afford one, what can you do?

The United States has two parallel court systems – federal courts and state courts. Federal courts exist on three levels: the district or trial courts (one in each state), eleven circuit courts of appeal, and the United States Supreme Court. The federal district courts try criminal offenses against federal laws only.

The state courts exist side by side with the federal courts, but are concerned largely with offenses against the state constitutions and statutes enacted by the state legislatures. In many of our large cities there are also municipal courts for trying offenses against state laws and municipal laws or ordinances. In our smaller rural areas, there are police courts and courts presided over by justices of the peace, who try minor offenses such as traffic violations.

Our state and local court systems are made up of many courts to satisfy the various needs of the state and communities in which we live. No two states have identical court systems, but all are similar in their general outlines. Below is the profile of a typical system of state and local courts.

1. State Supreme Court – Hears appeals from all inferior courts of record. Court of last resort except for constitutional matters, which may be appealed to the United States Supreme Court.
2. Intermediate Appellate Courts – (in some states). Hear appeals from decisions of courts of general and special jurisdiction and from criminal courts.
3. Trial Courts – usually divided into four divisions:
   a. Criminal court – Hears all criminal cases.
   b. Probate court – Probates wills and hears claims against estates.
   c. Juvenile or family court – Hears domestic, juvenile delinquency, and youthful offender cases.
   d. District, country or municipal court – Has general jurisdiction: hears civil suits and some criminal cases.

4. Local Courts – Cases heard in these courts frequently cannot be appealed. Their names will vary depending upon their locality. They include traffic court, police court, small claims court, and Justice of the Peace.

Our federal court system consists of the following:

1. United States Supreme Court, Washington, D.C. Tries lawsuits between the states. May review decisions of federal appellate courts and specialized federal courts. Reviews decisions of highest court of appeal.
2. U.S. Courts of Appeal. Eleven courts, called circuit courts, sitting in each of 10 judicial circuits and District of Columbia. Hear appeals from U.S. district courts and review decisions of federal administrative agencies.
3. U.S. District Courts. Approximately 90 courts sitting in all parts of the U.S. and in Puerto Rico and Virgin Islands. Tries both civil and criminal cases. Reviews decisions of federal administrative agencies.
4. U.S. Court of Customs and Patent Appeals, Washington, D.C.
5. U.S. Court of Claims. Hears suits against the U.S. government. Evidence may be given before court commissioners at various locations.
6. Tax Court of the United States, Washington, D.C. Hears all cases arising under federal tax laws.
7. U.S. Customs Court, New York, N.Y. Hears cases arising under federal tariff laws.
8. U.S. Court of Military Appeals, Washington, D.C. Hears appeals from court-martial convictions. There is no further appeal from decisions of this court.

Free trial vs free press

There has long been a potential conflict between the guarantees of the First Amendment right to freedom of the press and speech and the Sixth Amendment right to trial by an impartial jury. Each of these rights is quite basic to our free society, but where they are in direct conflict, some balance must be achieved.

The Supreme Court handed down its decision on Sheppard vs Maxwell in 1966. This was a case where reporters actually tried the defendant in the press and found him guilty. The sensationalism and circus-like atmosphere created by the press caused the Supreme Court to reverse the murder conviction in this case. The court's decision was based on the failure of the trial judge to protect the defendant from overwhelming publicity which made it impossible for him to receive a fair trial and because of disruptions in the trial caused by the press.

The press plays an important role in our society. It is the means by which the public is kept informed. Yet some control must be exerted where the press, as in the Sheppard case, becomes more interested in spectacular news-selling headlines than in telling the truth. What must be achieved is a careful balance between the rights of the individual and freedom of the press.

For Discussion:

1. What are the three levels of federal courts?

2. Can you think of a United States Supreme Court decision that has brought about changes in our society?

3. Describe a typical system of state and local courts.

4. Do you think publicity in the press can affect the outcome of a trial?

During your lifetime, most of you will be involved with several kinds of legal documents. Some of these documents might be deeds to property, powers of attorney, title of property, or wills. Therefore, it is important to know something about them.

Deeds

What is a deed? It is a written instrument giving title to something. The term most commonly refers to a document by which land or an interest in land is transferred from one person to another.

The deed is drawn up by the seller's attorney and is signed by the seller. After closing, the deed should be recorded with the county register of deeds. The purpose of this recording is to put the world on notice that you are now owner of the property and to provide a public history of ownership, called "chain of title" by lawyers, of any specific piece of real estate.

There are three common categories of deeds. The contract for sale of the property will reflect the agreement between buyer and seller as to what kind will pass between them.

1. **Full covenant and warranty deed.** This is the most desirable from the buyer's point of view. It means that the seller guarantees there are no defects in his title to the property. If it later turns out that there are, the buyer may be able to sue him for damages.

2. **Quitclaim.** This gives the buyer the least protection. In it the seller simply says that he is selling whatever title he has in the property. While this sounds risky, quitclaim deeds are commonly used to transfer the ownership of property in some parts of the country. The best advice on whether it is safe to accept a quitclaim deed will come from your lawyer.

3. **Bargain and sale deed with covenant against grantor's act.** This means simply that the seller guarantees that he has done nothing to cause a defect in the title, but that he cannot be responsible for any defect caused by a former owner which he knows nothing about. In most cases this kind of deed is perfectly satisfactory.

   Remember that a deed will not protect you unless it has been recorded. If you receive a deed from a swindler and fail to record it, and he then sells the property again and gives another deed to Joe Jones, who does record it, then Jones is the legal owner of the property. Even evidence of the fact that you received your deed first will not help you; it is placing the deed on the public record that counts.

Powers of attorney

A *power of attorney* is a legal document which grants a person the authority to act as another's agent or attorney-in-fact. Usually a power of attorney is given when a person knows he will be away when certain documents will have to be signed. The person giving the power of attorney is called the principal.

Agents may be classified as general or special. A *general agent* is authorized to attend to all business of the principal. A *special agent* is one employed for a single specific transaction, or for a series of transactions of a special and limited nature.

Title of property

What does the term *title* mean? A title is the legal proof of a person's right of property.

Title to real property may be acquired by descent, marriage, will, and deed.

1. Title by descent – Acquired after the death of the owner by virtue of being one of his heirs. When a person dies without a will, leaving real property, the state law determines who will share in the property. Rules of descent in most states follow the formula of "down, up, and across"; that is, down to children or grandchildren; if none, then up to the parents and grandparents; if none, then across to other relatives such as brothers and sisters, nephews, nieces, uncles, aunts, or cousins.

2. Title by marriage – Laws concerning rights of a surviving husband or wife vary in different states.
3. Title by will – One of the most common means of acquiring title to property is by will. A will is a disposition of property, real or personal, to take effect at the death of the person who makes the will.
4 Title by deed – To be valid, the deed must be in writing and must be recorded.

Wills and inheritance

Thomas, an inventor, after many years of poverty and hardships, invented a device which eventually brought him fame and wealth. His only relatives were a brother and a nephew. During his years of poverty and hardship, his brother refused to help him, but the nephew aided him generously from time to time. Thomas is anxious to make sure that at his death all of his property and wealth will go to his nephew instead of his brother. Can he do this? Perhaps you will better be able to answer this after the completion of this unit.

Your will is one of the most important papers you will ever sign. It is your only opportunity to make sure your property is distributed as you wish among your survivors. It tells your family, business associates, and the state who will administer your property and other assets, to whom you want to leave them, and the conditions under which the people you name are to receive them. It also concerns such vital family matters as who will be the guardian of your minor children.

Who may make a will

There are normally only two limitations on the right to make a will. A person must be of sound mind and must have reached the prescribed age.

If a person of unsound mind makes a will, or if a person's will has been made through undue influence of others, the will may be successfully contested by those people who felt they should have been included.

The nature of a will

A will is a document in which a person specifies the way he wants his property distributed after he dies. The person making the will is called the *testator*. If a person dies without a will, he/she is called *intestate*. In both cases the dead person is referred to as the *decedent*. The testator designates an individual in his will as *executor* to distribute his property. For the person whose will is invalid or who dies without a will, an *administrator* is appointed by the court to distribute the decedent's property. Also, if a testator fails to name an executor or if the designated executor fails to qualify, the court will apoint an executor.

Although the form of a will is simple, the possibilities of improper execution and imperfect expression of the wishes of the testator are such that many "home-made" wills fail to probate; that is, they are not proved as valid wills. As a safety factor, have your will drawn up and executed under the direction of a lawyer.

Types of wills

All wills must be in writing except nuncupative wills, which are wills declared orally by a person who is dying and who has no opportunity to make a written will. Such wills are difficult to prove and can be used only to give personal property. A soldier might make such a will when he is about to go into battle.

A holographic will is one you write, date, and sign in your own handwriting, with no witnesses. This kind of will is not valid in many states. If a handwritten will is properly witnessed, however, it is valid.

The law recognizes several different types of wills. The most common and valid in America is the witnessed will. Whether handwritten or typewritten, it must be signed by you and should bear the signatures of two or three adults who saw you sign the will, who knew that the document was your will, and whom you asked to act as witnesses to that signing. Witnesses should be people likely to be available when your will is offered for probate, or proof; they should be residents of your home state or live nearby. They may not be people who will benefit from the provisions of your will, because the testimony of such persons is considered suspect. A properly witnessed will, drawn with the assistance of a lawyer, is your best assurance that your estate will be distributed according to your wishes and with the least delay.

SAMPLE WILL

I, James E. Harrison, of Burlington, in the state of New Jersey, do make, publish, and declare this as my last will and testament; that is to say:

I give, devise, and bequeath all my property, real and personal, of every kind and nature, to my wife Lillian V. Harrison, to be hers, absolutely and forever, and I do hereby nominate and appoint the said Lillian V. Harrison to be executrix of this will.

In witness whereof, I have hereunto set my hand and seal this tenth day of January, in the year nineteen hundred forty eight.

James E. Harrison (L.S.)

Signed, sealed, published, and declared by the testator as and for his last will and testament, in our presence, who, at his request, and in his presence, and in the presence of each other, have each of us hereunto subscribed our names as witnesses.

John O. Jones
13 Park Avenue
Burlington, N.J.

M.T. Long
1933 Lafayette Avenue
Beverly, N. J.

Codicils

A codicil is any change made in a will, either by explaining, adding to, or subtracting from the will. The codicil must be executed with the same formalities as the will itself. There is no limit as to how many codicils may be added to a will.

Probate

To "probate" a will means to prove it. After the death of the testator, the executor or his attorney applies to the surrogate or probate court for authority to take over the property of the testator and distribute it as directed in the will. This authority is called *letters testamentary*. The executor must see that the court notifies all interested parties of the date of the probate hearing. He must also arrange to have the witnesses to the will swear that their signatures are valid. If no one contests the will it is duly probated and letters testamentary are issued to the executor. If there is a contest, the court determines whether or not the will offered for probate is legal.

Inheritance

Inheritance has nothing to do with a will. It relates to the rules of law by which the real property of a person who dies without a will passes to his heirs.

Procedure on intestacy

When a person dies intestate, an application must be made for "letters of administration", for authority to act as administrator. Ordinarily a surviving husband or wife has the prior right to apply for letters of administration. After the letters of administration are issued, the administrator takes possession of, administers, and distributes the estate.

For Discussion:

1. What are some of the legal documents we are likely to be involved with during our lifetimes?

2. Is a deed valid if it is not properly recorded?

3. What is the meaning of *title*? By what means can you acquire title to real property?

4. Why is it important to make a will?

5. What is a holographic will? Is it always valid?

6. Define the following terms:
   a. devise
   b. bequest
   c. testate
   d. intestate
   e. probate

7 Why is it best to have a will drawn up under the direction of a lawyer?

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